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CZECHOSLOVAKIA

Pelikan Envisions Formation of New Left

90CH0321A Prague FORUM in Czech 11 Jul 90 p 12

[Interview with Jiri Pelikan, representative to the European Parliament, by Jan Stern; place and date not given: "The Left Still Has a Future"]

[Text] [Stern] What do you think about the result of the elections?

[Pelikan] Personally, I am very pleased with the result of the elections. First, because the Czechoslovak voters displayed a certain political maturity by about a 96 percent participation, which is better than in the neighboring countries, and then because they gave almost half of their votes to the Civic Forum which represents the November democratic revolution. At the same time they also gave their votes to other parties, so that Czechoslovakia now has a real democratic plurality. We have a government which has its parliamentary majority and an opposition which can criticize this majority. I believe that true democracy cannot function without an opposition.

Some foreign correspondents, and even some domestic journalists, spoke about the danger of some new totalitarianism. Such danger would exist only if the Civic Forum were a solid, monolithic political party, which it is not. It is a movement that combines a variety of viewpoints and therefore I do not think that the danger of totalitarianism looms from its direction.

Understandably, when I judge it from the point of view of my experience with Western parliaments, it is clearly important whether the new government has a parliamentary majority on the basic issues or not. In the West, the ruling parties make sure of their support through their representatives' clubs. And so I ask myself whether the Civic Forum will be able to create some kind of a common platform since a variety of viewpoints exists in it. These different viewpoints must, of course, be mutually respected, but it is important for the representatives' clubs to have a certain form, which I would not like to call party discipline, but a certain form of consistency.

It is like that in the West, too. The laws are discussed in the representatives' clubs and then the majority decides. If someone does not agree, he announces that he has a so-called "problem of conscience" and tells his club that he will vote differently. That is honorable. What is dangerous is when people, elected to the same group in secret ballot, then vote against that group. In Italy they called them "shooters" because they could actually "shoot down" their government. If the government does not have a majority on basic issues, the president must dissolve it and call for new elections.

President Havel and the government did the right thing by not giving in to the pressure from some political parties and some public opinion to outlaw the CPCZ

[Czechoslovak Communist Party]. I think that they correctly understood that a democracy should have a center, a Right and a Left (including the extreme ones) and the problem of censuring the CPCZ must be dealt with by political methods and not by interdiction. They would become martyrs, or even an illegal party. I do not think it will be a bad thing the government has to count with some opposition, in parliament as well as outside of it.

[Stern] A proper spectrum of political forces should also have a quality Left, well represented. Here, it is represented in the Parliament only by the CPCZ. That is not exactly the happiest of situations. What future do you see for the left wing? What changes do the social democrats and other left-oriented parties have?

[Pelikan] First of all, I think that here certain terms have lost the meaning they have in the West. The difference between capitalism and socialism, left and right, are very relative. In name the Communist Party belongs to the left, but in its practices more to the right. But you are correct, a normal democracy all over the world has such a structure: center (rather liberal), constructive right (those are the conservative parties), constructive left (those are parties of the social democratic type), and then also the extreme right and the extreme left. Even those must be tolerated by a democracy, provided they do not wish to change the constitution or the system by force.

Here, a left such as this does not exist as yet and will have to be created. The question is, how. I think that it will be taking shape during the economic reform—which will be a long and also a painful process. Much longer than the transition from a totalitarian regime to a political democracy. During that time people will observe how the individual parties approach their everyday problems. During the brief preelection period they did not have the time to define themselves clearly. They were all for a pluralistic democracy, for a market economy, social justice, protection of the environment... But now they will have to state their position on issues such as price increases, closing of enterprises, decentralization, etc. And on these they will differ.

In the West, parties on the left (for example, socialists) are also in favor of parliamentary democracy and market economy. The difference is how to realize them. Should the process be left only to the dynamism of the entrepreneurs, or should the state have the role of a regulator, so that the new differences would not be at the expense of those who are socially weaker? There may also be differences on the issue of assistance to third world countries. The conservative forces tend to think that it is not important, but the left says that without assistance to these countries there could be new waves of emigration, which will create social tensions and racism. In other words, the differences will only appear in the attitudes to practical questions.

I think that this could lead to the formation of a new left in Czechoslovakia from the ground up. I can see in it, of

course, the former expelled Communists or Communists who left the party because they did not agree with its original Marxist-Leninist ideology. I see in it former or even today's social democrats. I can also see there perhaps a new left (Petr Uhel), some of the Greens, and perhaps even a part of the Socialist Party. I see there also some members of today's CPCZ who would be willing to work for a socially just, reformatory democratic socialism. It should be something entirely different and should not be concentrated around one of the existing parties. I expect that the forming of a new left will take at least two to three years before it reaches some common platform.

My friend Adam Michnik says that the danger today in the countries of Central and Eastern Europe is not so much a return to the old order, but rather that these young democracies will not be able to resolve the transition from a centralized state economy to a market economy while maintaining a certain degree of social justice, that means, paying attention to the social inequalities which this reform will engender and the ensuing social tensions. That could give rise in those countries to some special version of a populist nationalistic movement that would require a regime with a strong hand, such as existed, for example, in Poland before the war. People will say that we have the freedom of speech, to be sure, but many things in our everyday life are worse. That can naturally lead to various emotional outbursts which have their real basis in various past injustices. That means, the question of boundaries, status of minorities, conflicts of a regional character—what they call in the West balkanization. The danger of balkanization would exist particularly if in the Soviet Union the winner is some conservative force that would find its support mainly in the Army, in some national Russian messianism. That could spell danger for the democratic development in the Eastern countries and a new obstacle to what is today called the 'return to Europe'.

[Stern] In this connection I would like to ask how you see the future coexistence of the Czechs and Slovaks? Do you see a real threat that the separatist tendencies in Slovakia would grow to such a degree that a break-up of the state would threaten?

[Pelikan] Yes. That is a question that makes me uneasy. I said that I was basically satisfied with the elections but what troubles me is precisely the growth or the influence of those parties which appeal to nationalism or regional grouping. I myself am a Moravian and I have sympathy for Moravian regionalism as well as for the Slovak tendency toward greater autonomy because in the past the Slovak specifics were not respected too much. I am not in principle even against the right of the Slovak nation to self-determination, such as other nations have. But I think that it would not be to the benefit of either the Czech or the Slovak nation if the republic were to break up into two independent states. In exile I saw the activities of the Slovak World Congress on behalf of a total separation of our nations. This congress has considerable means which it uses to promote this trend in Slovakia. I believe that these issues can be resolved by an agreement between the representatives of the Czechs and

the Slovaks, and that both nations can live on the basis of equality and respect for their identities. Today, when we are going through a period of integrating Europe it strikes me as especially absurd to have states break up into smaller units. I think that even in Slovakia the demand for separation or independence is not supported by the majority of the population and I believe that within the framework of a democratic constitution and discussion some satisfactory solution will be found.

[Stern] We can say that in the elections some classic parties were to a certain degree the losers. Successful were the movements (Civic Forum, Public Against Violence, Christian Democratic Movement) and the newly formed nationalist-oriented parties. How do you explain this result and what do you think are the prospects for the future?

[Pelikan] I think that these elections were free but not entirely democratic. Free in the sense that everybody who wanted to could vote, without any pressure, but to be truly democratic, people would need enough time to understand the differences between the parties and also to come to know the candidates and politicians. There will be time for that only during the coming two years. But as far as people's trust or mistrust is concerned, in that respect these elections were an anti-communist plebiscite in which the Civic Forum represented the force which could take away from the CPCZ its monopolistic power. Many people also voted for the Civic Forum because it is open to many viewpoints and does not have any ideological exclusiveness.

As far as the classic parties are concerned, there we must differentiate. The People's Party and the Socialist Party paid for the fact that in the past they were de facto subordinated to the CPCZ, and not just politically. The Social Democratic Party, which was banned for 40 years, on the other hand paid for the fact that it had to start from zero and did not have a structure, its own press, did not have the personalities, and perhaps also for putting at their head people who did not have the full trust of the public. And a role was also played by the distaste of the public for a return to the political splintering of the first republic. I remember when during the war I was in prison, and there we were, communists, social democrats, national socialists, legionairs, etc., we all said that we do not ever want to go back to the conditions when small parties fought among themselves and then Hitler swallowed us. Here people do not like to have a great number of political parties.

Parties have their role as a component of democracy, but personally from my experience in Italy and Western Europe I know that even there a distaste for the classic political parties is being manifested, and that people are against what is called the patronage system—that is, the parties dividing up all the positions of power. Also emerging are new civic initiatives which want citizens outside political parties to be also able to have a say in public affairs. From that point of view, they place great value on the existence of the Civic Forum as that kind of original formation (similarly as it is, for example, in Poland or in the Soviet Union), and I think that this is the way the countries of Central and Eastern

Europe could contribute in an original way to the development of democracy. Democracy then would be some kind of combination of the classic democracy, represented by the political parties, and some form of direct democracy, that is by the direct initiatives of the citizens.

[Stern] What would you yourself consider important to say concerning the current situation in Czechoslovakia?"

[Pelikan] I believe that after these elections it will be important to introduce the spirit of tolerance into the political life. That people get used to listening to other viewpoints without immediately considering them hostile. That is very important. I still sense here a remnant of the totalitarian way of thinking, even though everyone is resisting it, of a certain fanaticism and certain attempts to exclude someone or other from the society of citizens.

The other point which is important is to change the ethics, to that people would learn to work. In the West work goes at a much faster rate, and a democracy cannot function without a functioning economy. And a functioning economy cannot with the best of models of some future growth be formulated without the participation of the citizens, without a consensus, without the support of the citizens. That will be of course difficult.

I belong among people who shared in the developments since 1945, and to the generation that made many mistakes which I personally greatly regret and which I later recognized. But I think that it would be dangerous if today the differentiation took such a course that only those would be blamed who made mistakes only in 1948 or in the fifties, so that we would actually pass over in silence the fact that a great part of our public shared in those mistakes by its passivity during the entire last 50 years. I believe that we should try for some form of national reconciliation, such as occurred, for example, in Spain after the fall of the Franco regime. People, who committed crimes, can be sentenced on the basis of law but nobody will be persecuted for the wrong political opinion by some political process or discrimination. I consider that to be terribly important because in order to implement the economic reforms in particular, the government will need the broad consensus of all the public and if it does not have it, if it is shattered by some perhaps even understandable recriminations for past attitudes, our democracy will be in danger.

GERMAN DEMOCRATIC REPUBLIC

Minister Interviewed on Local Government

90GE0233A East Berlin NEUE ZEIT in German
11, 16 Jul 90

[Two-part interview with Manfred Preiss, minister for regional and local affairs, by Klaus Bruske; place and

date not given: "Localities Are Going To Be Schools of Politics in the Future"—first six paragraphs of part one, and first paragraph of part two are NEUE ZEIT introduction]

[11 Jul p 3]

[Text] Minister Manfred Preiss was born in Wernigerode, trained as a railroad engine fitter, later studied electrical engineering and the law. After various jobs in industry, his party—the Free Democrats—delegated him in 1985 to acquire local political experience at Magdeburg Bezirk Council. Housing was his special interest.

On 1 February 1990, he was appointed state secretary at the Ministry for Local State Organs in the Modrow Government and assumed responsibility for the preparation of structural and administrative reforms.

Upon the establishment of the de Maiziere Cabinet, Manfred Preiss was appointed minister for regional and local affairs.

Minister Preiss now stays as a "subtenant" in the Ministry for Foreign Affairs, but his residence continues to be in Magdeburg, where his wife and two children live.

He would like to have years at his disposal for this "task of the century," but in fact has only a few months left in office. At the end of that time, the new organization must have taken root everywhere in our country, and the self-administration of our cities, villages and regions be firmly anchored in the changed structures.

Klaus Bruske of the NEUE ZEIT talked with the Minister for Regional and Local Affairs about the opportunities and hazards, ideal models and realistic possibilities, urgent everyday needs and the expectations of our citizens—in short about some "birth pangs" of local and regional reform.

[Bruske] In contrast to some of your fellow ministers, your name is rarely seen in the headlines. Does this mean that your department has to make fewer changes, that things there are more relaxed and less controversial?

[Preiss] For heaven's sake do not publicize such a notion. After all, you were present at the 3 July conference of the Council of Ministers with district administrators, city district mayors and chief mayors and chairmen of the bezirks still operating. You must therefore be fully aware that fundamental problems and controversies abound at bezirk and kreis level. I will mention only what is just about the "hottest item," the financial situation of local communities and kreise.

[Bruske] The presence of so many ministers at that conference was particularly noticeable.

[Preiss] You could well imagine this group expanding to the entire cabinet. Just tell me one department that does not directly impinge on citizen interests. And our people are, after all, settled in cities and villages—that is a truism if ever there was one. In future local councils will be the foundations of the democratic and social federal state and the “school of politics” for the citizens’ involvement in politics. Here also we are finally changing from government from above to government by the people. We have finished with the fatal (un)democratic centralism from above, and we have equally gotten rid of “father state” as the helper in times of need.

For myself, and the cabinet generally, I consider the need of the hour to be the provision of reasonable legal structures and, where necessary, to help people help themselves. Obviously that cannot be done from one day to the next. Given the situation we found, we cannot work miracles; we are not wizards.

[Bruske] Still, you and the government are often expected to work miracles. Do you not sometimes feel like the old magician in Goethe’s “Sorcerer’s Apprentice,” “the spirits I called...”

[Preiss] Your image is wrong. We are not the ones who called up the civic spirit. In fact, in the result of two democratic elections, our citizens have put in office all of us, myself and all the other “spirits of service” to the community at all levels (let me remind you of the original meaning of the word “minister”). As for the role of miracle worker: Please do not forget the present, really unprecedented and historically unique situation of Germany’s eastern region. To cite Bismarck, it is imperative now to manage with the realities instead of yearning for idealistic fictions.

Others needed decades to gradually develop local and regional self-administration conforming to the requirements of a modern industrial society. I do not think I need to spell out the time allowed (and still left) us to carry out our comprehensive administrative reforms, a task that could be claimed to need 100 years.

[Bruske] “Look at yourself first”...or what other kind of “advice” would you like to offer your critics?

[Preiss] Nothing of the kind, please! After all, we have definitely left behind the times when the governing party was always right. Let us not have any soothing cream spread over unrealistically sweetened problems! Democratic partnership must be ready to give and receive criticism. I think I said so very clearly at the congress. Of course, just as I had to accept some home truths there, I have just as many reasons to point out various weaknesses.

What I think this country still needs is a new climate, a kind of pioneering spirit to inspire a new age. I mean by this that the scope now available should be creatively

used by all local politicians on their own responsibility and with their own initiative.

[Bruske] What do you consider this scope to be?

[Preiss] For instance, the local constitution, enacted by the People’s Chamber on 27 May, that set out self-administration as the primary principle of democratic and social constitutionality, or the law (adopted by parliament last Friday), that we hope will decisively contribute to the establishment of the financial base of self-administration.

[Bruske] ... and the reestablishment of laender that, together with the two German-German state treaties, represents one of the essential prerequisites of future unity?

[Preiss] The laender introduction law as part of the constitution is to be completed and enacted at the special session of the People’s Chamber, set for 22 July. The law on elections to the land assemblies has had its first reading and is in the committee stage at the present time.

According to the provisions of the laender introduction law, the five laender in existence until the summer of 1952—Mecklenburg-Pomerania, Brandenburg, Saxony-Anhalt, Thuringia and Saxony will therefore be resurrected in a modified form.

[Bruske] This law favors a variant that experts certainly do not consider the best. Larger laender with greater economic-structural strength had been discussed...

[Preiss] To be more exact, the discussion ranged from proposals of one to eleven GDR laender. While the five laender variant is based on history, it certainly does not represent the most reasonable or best settlement of the issue. That is quite obvious when we look at a European Germany, mainly with respect to competition and economic strength.

With the possible exception of Saxony and Saxony-Anhalt, they will therefore be among the structurally weaker regions in the future federal state. Among the future 16 federal German laender, Saxony will be in 6th place as regards population, Saxony-Anhalt and Brandenburg in 8th and 9th place, Thuringia and Mecklenburg-Pomerania in 11th and 12th place respectively.

[Bruske] Why, then, was this irrational solution adopted?

[Preiss] We used to say “vox populi, vox dei.” Politics is sometimes subject to a higher reason than that suggested by economic considerations. No other solution would have been approved by a majority of the public. We were bound to take into account many political, economic, juridical, ethnic, social and cultural aspects—plus the inherent dynamism of the laender problem, that we simply could not ignore.

Even before the government discussed dimensions and structures, the country had to some extent already presented us with a fait accompli. In other words, the parties had established independent land federations, draft land constitutions were submitted...in short people had already identified with a future homeland. If the government had disregarded all this, if we had followed economic reason only and tried to install only two or three laender, hundreds of thousands would have taken to the streets.

After all, we are no longer in 1952, when the arbitrary establishment of bezirks replaced the laender, brushing aside popular opinion.

[Bruske] Talking of 1952: At that time the "law on the further democratization of the state structure" not only demolished the old laender. It also radically changed the kreis structure. Is there any intention in this field also to reconstruct the former state of affairs?

[Preiss] Not at this time. The introduction law assigns such internal organization to the competence of the laender themselves. We have recommended the merger of districts for the sake of simplicity and various other reasons (settlement structures that have changed in the course of 38 years, organizational relations in the region, the different distribution of production complexes, and so on).

Fifteen kreise are the exception: Prenzlau, Templin and Perleberg (in other words the Uckermark and West Prignitz, once part of Brandenburg); Altenburg and Schmölln, are going to Thuringia or Saxony; Hoyerwerda, Senftenberg and Weisswasser to Brandenburg or Saxony; Bad Liebenwerda, Herzberg and Jessen to Brandenburg or Saxony-Anhalt; Delitzsch, Eilenburg and Torgau to Saxony or Saxony-Anhalt; finally Artern Kreis to Thuringia or Saxony-Anhalt.

A poll of the population is now being conducted in all these kreise. The kreis assembly will summarize its result in a submission to the People's Chamber.

[Bruske] What is going to happen with regard to other land border corrections, to Pomeranian, Silesian and Sorbian separatism, to government districts, land capitals?

[Preiss] Some things simply cannot be done, unless we are going to further weaken laender that are already anemic in economic terms. Neither a Western Pomerania nor a Lower Silesia would be a viable land. Though a merger of the Sorbian settlement areas was briefly considered, Upper and Lower Sorbians are at odds with one and another. Still, it will be important to preserve Sorbian cultural autonomy within the Land Brandenburg and the Land Saxony.

Evidently it would have been desirable to use the opportunity for the reform of all-German land territories. Federal German experts in local politics also think so. But in that case we would certainly have had to postpone

unification indefinitely. Incidentally, nobody has any intention of preventing the future 16 German federal laender from merging, should a majority in two or more of them decide on such a process. The majority wish—that is the decisive point.

The land assemblies to be elected on 14 October will have to decide on the establishment of administrative districts and land capitals. Admittedly, at the present time the residents of Magdeburg and Halle in Saxony-Anhalt as well as those of Schwerin and Rostock in Mecklenburg-Pomerania are fighting about this issue so violently, that all I can do is shake my head, because I fail to see what all the fuss is about.

[Bruske] And East Berlin? The law provides for special treatment.

[Preiss] Quite so. This special status allowing for land powers deliberately keeps some issues dangling: Unification with the western part of the city (in any case proceeding apace), but also a link between Greater Berlin and Land Brandenburg. I personally would favor the latter, because the experiences of the city-states, Hamburg and Bremen, tend to show that statutory isolation from their natural surroundings does not in the long run benefit the municipality.

[16 Jul p 3]

[Text] In Part I of the NEUE ZEIT interview, published last Wednesday, we talked with the Minister for Regional and Local Affairs about the vitally necessary partnership between the government and the local authorities as well as about some problems relating to the imminent resurrection of the laender. The critical financial situation of local authorities and kreise, as well as some genuine opportunities for dealing with them, are the focus of the questions addressed to Manfred Preiss by our reporter Klaus Bruske in the concluding part two.

[Bruske] As regards kreise and local authorities: At the earlier mentioned government conference with chief mayors and district administrators, you noted seven key issues to be assigned absolute priority now: The continuing organization of local self-administration and the reestablishment of the laender, encouragement for local economies, independent economic operations by local authorities and land kreise, efficient budgeting, the inception of a solid social safety net, the preservation of constitutionality and order, as well as—last but not least—the accumulation of local wealth. In view of the fact that many local bodies are currently compelled to manage with empty treasuries, the seventh key issue is doubtlessly the one needing to be dealt with most urgently...

[Preiss] That is my view also. The financial situation of many cities and municipalities is perilous indeed, though

even here I would like to warn against undue generalizations. The point at issue is this: How and in what form do we change state property into local property, how do we handle real estate?

I consider the local property law now being debated in the committees of the People's Chamber to be the most essential prerequisite. In addition our parliament will, even before the summer recess, enact (among others) a law for the improvement of regional economic structure as a common task for central and laender governments as well as a law on the conversion of state-owned housing management enterprises to nonprofit housing associations in which cities and municipalities are involved.

Another problem is the speed at which the new legal regulations can be printed and distributed. At the moment this process still takes weeks.

Nevertheless, it is imperative to finally open the locks. In other words: If small and medium enterprises wish to invest in a locality—and that brings jobs and revenues—the local authorities will have to efficiently deploy their land, the biggest asset they have. In effect that means selling the land, getting the best possible price.

[Bruske] At present this still encounters some objective obstacles. The one most often cited is the lack of a clear title to many pieces of real estate. At the conference, you yourself recommended to the district administrators and chief mayors to sell nothing unless there is an undisputable title to the respective piece of land.

[Preiss] That is so.

[Bruske] Moreover, the argument was repeatedly heard at the conference, that the patience of prospective enterprises is not inexhaustible, particularly if they are put off from one week to the next, owing to the lack of a construction site or commercial space. It would, therefore, be important to be willing to take certain risks, if necessary accept the possibility of potential law suits.

[Preiss] That also is true. Something else, also, is extremely urgent now: The trust companies will finally have to operate in the districts. They should also provide help to the local authorities by way of information and backing.

[Bruske] Do you expect the roughly DM20 billion budget subsidies, proclaimed by Prime Minister de Maiziere, to offer the local authorities a chance in the second half of this year to escape their precarious financial situation?

[Preiss] Of course there is such a chance. It only depends on the speed with which the new legal regulations take hold in practical affairs, how everything involved in local self-administration is handled without people constantly waiting for help from above. Obviously the start-up money must be provided by the national budget, that is the reason for the roughly 20 billion. But these billions will not be enough. Further negotiations will be needed, especially for the major cities, and I assume that transitional measures will still apply in 1991. The evolution of

local self-administration has taken 10-15 years in other European countries; we are doing it in 10-15 weeks.

[Bruske] What is the situation regarding borrowing by local authorities? You took pains at the conference to warn of debts. In the Federal Republic, for example, not a single local authority is free of debt.

[Preiss] Our situation is somewhat different. Loans to aid local budgets are considered entirely normal in the Federal Republic. Here the state should try to so assist local authorities now as to ensure that they are not compelled in the starting phase of self-administration to already incur large debts.

[Bruske] ...and the so-called financial equalization?

[Preiss] Financial equalization between local authorities and regions will be important in future in the territory of the GDR also. We would not be able to manage without it. At the same time, I am quite aware that this will involve disputes. In the FRG's Laender Chamber, for instance, financial equalization is a constant bone of contention, because even over there nobody has enough cash in hand.

[Bruske] Our district administrators in the kreise, as well as the mayors, constantly refer to the additional services required—such as social assistance, the improvement of the ailing urban building stock or the promotion of the middle class—and say they feel unable to cope with all of this. In the Halle-Leipzig industrial region, in particular, they are also confronted with a giant problem in the old established areas of pollution, such as the dumps of the major chemical combines.

In this connection, the local authorities request that the costs of the removal of this pollution be paid by "father state" rather than by them, because billions are involved. They also want the government to provide an "imponderability guarantee" and to unequivocally settle the entire issue in the unification treaty. Do you think that feasible?

[Preiss] I do think it is necessary. It is surely impossible to carry out work in such dimensions by delegating it to the local authorities. That is quite impossible, and most certainly not at this present time. I also back the request for including the pollution problem in the unification treaty. Both governments will have to do something about that.

I do favor the promotion of the middle class, and the government has already taken some initiatives in that regard. One example is the so-called ERP [European Reconstruction Program] credit program amounting to some M7 billion. We are currently negotiating an increase with the Federal Economics Ministry. As you know, in the late 1940's and early 1950's, the ERP was the organizational realization of the Marshall Plan that initiated the so-called economic miracle in the Federal

Republic. The ERP was later converted to a loan fund for business promotion and now benefits us also, in addition to EC aid paid us.

We generally help the local authorities as much as we can. Still, the real issue remains that everyone, everywhere, must understand better than up to now to think and act in the categories of the market and free competition.

[Bruske] We are back at the (economic) miracles. Do you expect them to happen in the other part of Germany?

[Preiss] No miracles but help, cooperation and support—something that has been going on for some time.

I am, for example, a member of the conference of federal interior ministers. Collaboration in this body is close and comradely. My fellow workers cooperate in the study group of the conference, concerned with issues of structure. In addition we are offered help at all levels. I attempt to channel this and to directly guide to the grass roots all aid, whether in the form of personnel or materials.

[Bruske] Could you give an example?

[Preiss] Baden-Wuerttemberg provides the best example. It is already closely cooperating with Saxony. We may assume, therefore, that the future Land Saxony is going to be the most advanced with respect to administrative and land structures. This intensive and thoroughgoing help reaches down to individual local authorities. Joint study groups are already in place in virtually all administrative districts and larger cities of Saxony, and these study groups are causing things to happen.

Other welcome developments are occurring in other German laender, too. Neighboring Thuringia and Hessen or Saxony-Anhalt and Lower Saxony are already collaborating quite nicely.

I do welcome such phenomena. Insiders in the Federal Republic are of the same opinion. In view of the enormous differences between the present and future federal laender, and will persist for quite some time, it is most important to work toward coordination and equalization. That applies not least to the so-called north-south gap and the laender equalization of burdens.

After all, in view of the economic situation of the five GDR laender, it must be assumed that—with the possible exception of Saxony—all of them will have to rely for years to come on aid from the Federal Republic's wealthy laender.

PDS Paper Defines New Socialism

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["Excerpts" from a paper presented by Andre Brie, deputy chairman of the PDS [Party of Democratic

Socialism], at a party congress in East Berlin 6-8 Jul 90: "There Is Much Too Little Socialist Politics on This Earth"]

[Text] The critical debate about our history and our earlier concepts of socialism, about our disappointments and delusion, is no reason for ascribing our failure to the visionary nature of socialist concepts of society. Nevertheless we are bound to resolutely and unsparingly interpret the failure of real socialism as an unprecedented break in the history of the socialist movement. This will call on us to develop more than modified or new conceptions of socialism. We need fundamentally and with a certainly challenging as well as sophisticated radicalism to question and change our overall understanding of socialism, indeed our entire world vision, the theoretical and ideological bases from which we drew our inspiration, as well as our politics and strategy. We will need a great deal of time for conducting the debate among ourselves—the exchange of views with all socialist forces and our openness to the great variety of the interpretation of the world, whether developed in the liberal or conservative camp or, for example, in the old and present-day cultures of Asia, Africa and Latin America, and that cannot be described in terms of our European definitions of left and right, socialist or conservative.

The Unprecedented Alienation of the Working People From Their Means of Production

I.

In recent months we have had a great diversity of discussion on how to assess our earlier real socialist society. Gregor Gysi thought that it had been merely a noncapitalist society, others—such as Thomas Kuczynski—considered it to be Marx's "raw communism," in other words an early socialism; yet others judged it to be socialism deformed by subjectivism and the errors committed by an authoritarian leadership. Lastly some, (Arthur Maier, for example), held that failure was inherent in socialism. Its perversion and hopelessness were predicated on the socialist principle as such. At our extraordinary party congress in December last, we already endeavored to produce a first analysis of the causes of socialism's going astray in the GDR. However, we must dig deeper and explore first principles if we wish to discern the essence of the real socialist model of society and its roots in history. Hereafter some reflections on that topic:

First: In Russia, the East European countries and, for example, China, a conception of socialism was tackled that may largely be attributed to direct anticapitalism. This arose, on the one hand, from Marx's analysis of 19th Century capitalist society, and, on the other, might be explained by the dual tasks confronting Lenin and his comrades, for example, in 1917—that is, how to guide economically and culturally backward, as well as predominantly feudal societies, toward a modern society that also needed to be an autonomous alternative to

advancing capitalism. This concept of socialism contrasted the subjection of all social interests and topics to the interests of capitalism with the subjection of society as a whole and all its topics to the assumed general interests of society. In Russia's situation in 1917, Eastern Europe's and China's after 1945, it would admittedly have been possible by means of the revolutions as such to carry out the organization of a democratic socialism. However, the centralization of political and economic powers—evidently necessary at the beginning—found its basic justification in this mechanistic and total anticapitalism. Fatal, above all, was the fact that it became self-perpetuating in space and time and, beyond its original concrete necessity, became the core of the socialist development of society.

Second: Growing from the same root was the conception of a socialist economy that considered the centralized and nationalized collectivization of the means of production the core of socialist production conditions, attempted to control goods-money relations and—totally in ideological terms and largely in practice—dismissed market factors. Unfortunately this method of the collectivization of the means of production excluded from the development of the national economy not only the driving and self-regulating market forces, it also was the starting point of a process that depressed the degree of the collectivization of just these means of production below the standard achieved in modern capitalist societies. At the same time it led to their monopolistic handling by an all-powerful and polit-burocratic apparatus and the unprecedented alienation of the working people from their means of production. Without proprietorial interest, without the definition of use value and value by the market, without the realistic yardstick applied by the world market, the socialist planned economy was bound to ossify, fall behind and become wasteful, thereby preventing the advance of society in general. It was no more than a logical consequence of this very system that the socialist planned economy showed itself incapable of planning, too.

All the Relationships of This World Become Primarily Internal

Third: In the GDR and other real socialist states, a society was established on these foundations, that—in virtually all social sectors—failed to respond to the challenges presented by the developmental requirements of modern civilization and, in this respect, was definitely less progressive than the bourgeois societies of the West. Even positive social efforts were bound to founder in this context and actually have the opposite effect. Another of the reasons was our profoundly confrontational mentality and ideology. We defined socialism against capitalism, the planned economy against the market economy, common ownership against private ownership, the dictatorship of the proletariat and the so-called popular power against bourgeois democracy and its parliamentarianism, the Warsaw Pact and the National People's Army against NATO and the Bundeswehr, and so on and so forth. On the one hand this impoverished

and blocked our own thought processes concerning the consideration of and involvement in the organization of a modern socialist alternative of all possible opportunities and requirements, everything constructive as related to social development. Worst of all, it rendered us incapable of promptly perceiving the evolution of global and system transcending reproduction conditions for mankind as a whole. To this day our mode of thinking has not managed to entirely overcome this obstacle. Our programs, thoughts and politics (just as those of the Social Democrats, Liberals and Conservatives) continue to stress polarity and the primary antagonisms in this world. One example is the present tendency to say that the North-South relationship is taking over from that between the East and the West as the dominating relationship. In fact, the truly new phenomenon in this world is its eventual merger—all its relationships are becoming primarily internal.

On the other hand, we have often acted as simply the mirror image of the West, especially wherever the latter was hardly modern or future-oriented. This applies, for example, to the attempt to rival the West in the development of a consumption-dominated demand orientation, or in our defense policy. Of course we should also note that, in the past, the Warsaw Pact and the GDR produced quite a few constructive proposals for guaranteeing peace and disarmament. Any sophisticated historical analysis will, in the future also, confirm that the nuclear arms race and its continuing persistence, the cold war and the division of Germany were due to a decisive extent to the U.S.A. and its NATO partners. I mention that, at this point, because our appropriate critique of real socialism and its politics must not involve the lack of critical consideration of past and present Western politics.

Fourth: To sum up, the real socialist society was modern only in part. No truly socialist development could occur without those achievements that crucially contribute to the capacity of modern societies for development and innovation: the market, parliamentary democracy, the legal state and the separation of powers, a critical and influential public opinion. Our ideas for the future will have to be profoundly influenced by the perception that the socialist society does not just stand for the conquest of society dominated by capitalism: Indeed, in many respects, the socialist society represents the latter's dialectic continuity.

Also to be severely questioned in this context is our earlier analysis of bourgeois society. This analysis featured simplifications, black-and-white depictions and ignorance of the profound changes that have occurred in bourgeois society since the time of Marx and Lenin. This is not the place to go into details. However, it is imperative to understand that Western bourgeois society is a modern society in many respects, although this modernity is overshadowed and even determined by the domination of capital and is by no means adequate to guaranteeing either mankind's ability to survive or the totality of its development. This internal contradiction

of bourgeois society with respect to its modernity must also determine the dispute between left socialist forces and Western capitalist societies. By modernity I mean first of all a society's ability to discover constructive developmental responses to the present unprecedented internal upheavals and global dangers. In other words, we need, on the one hand and quite decisively, to assess the essence of this society as not conforming to the goal of human survival. In this meaning, a socialist party is also a party consistently critical of capitalism, and its strategy and politics must pursue goals that reach beyond the capitalist society. On the other hand, though, modern bourgeois society is not exclusively capitalistic, albeit dominated by capital.

Consistent critique of capitalism as regards programs and policy does not, therefore, signify the fundamental rejection of bourgeois society. As I said earlier, the latter displays several basic features of modern civilization, that need to be included in the development of future vital, cooperative and ecological societies. I would like to repeat that I am not uncritical even vis-a-vis these achievements. They have been deformed in various respects, especially by the dominance of capital and the profit principle and, in absolute terms, are not equal to present and future global tasks.

Decisive Dangers Threaten To Become Irreversible

Fifth: In my opinion the failure of real socialism is largely due also to the fact that it was tackled in underdeveloped countries, where the progressive possibilities offered by capitalist development in economics and politics had by no means been exhausted. Moreover, in the course of the years it became ever more doubtful whether a socialist alternative could be developed in individual countries and in isolation of worldwide internationalization processes in economics, science and technology, ecology, politics and defense matters, intellectual-cultural and humanitarian fields. Evidently we would indulge in sheer speculation, were we to now debate whether Trotsky may not after all have been right to assert that socialism cannot be established in a single country. History took a different course in 1917 and, despite many deformations, the Soviet Union showed for half a century that it was capable to maintain itself in a capitalist environment.

However, in consequence of the nuclear bomb, the scientific-technological revolution and the final establishment of a world market, international interdependence grew exponentially and, with increasing emphasis, called for societies capable of opening themselves and collaborating with one another. These overarching phenomena, in particular, were disregarded by the real socialist countries. As a result they failed to properly digest industrialism, fascism and totalitarianism in this world. The socialist countries' efforts at self-sufficiency resulted in the dismissal of these historic phenomena as

ephemeral, thereby producing social ignorance. Admittedly, the fact that opening and comprehensive cooperation became necessities in a world dominated by capitalism, above all in socioeconomic terms, surely confronted the real socialist societies with additional and highly complex problems. I am unable to answer the question whether fundamental reforms of their social and economic system—in particular comprehensive democratization and the introduction of market economic principles—would have enabled them to handle this without sacrificing their socialist-alternative nature. At the present time, though, it seems to me evident that the organization of modern and vital societies will be possible only in the form of a common and cooperative development of the various societies on this earth, by the coevolution of Western and Eastern, Northern and Southern societies. This will also require the fundamental reorganization of all international relations, in fact a world internal policy in matters of defense, economics, ecology and technology. The image of society and its progress from capitalism to socialism is too narrow a projection. Even the timewise perspective of such an upheaval is not realistic, let alone the theoretical perspective.

II.

The severe, appropriate and ongoing critique of our earlier real socialism dangerously affects the attitude of millions of people toward real capitalist societies. Conservatives and liberals in the United States and Western Europe go so far as to claim that capitalism has shown itself to be the victor in the conflict of systems and for the end of history to have dawned. This is a dangerous view. It ignores, on the one hand, the Western share in the responsibility for the cold war and the division in the world, on the other, the fundamental weaknesses of societies dominated by capital and their incapacity to guarantee the survival of mankind and nature. To have been more successful, stable and adaptable than erstwhile undemocratic, rigid and overly centralized barrack room socialism cannot possibly be considered a realistic criterion.

The World Ecological Crisis Is Already Upon Us

In today's world, demands upon modern societies arise in entirely new and different fields and with compelling urgency: Mankind's survival is at stake. Some crucial dangers indeed threaten to assume irreversible features in the next decades. Modern capitalist societies have not developed any responses to these dangers. On the contrary, despite their economic efficiency and rationality, they have been largely responsible for the global threat and continue to exacerbate it.

A brief description and some examples of a few situations on our earth may explain this assessment: No more than 20 percent of mankind—that billion who live in the industrialized countries—are responsible for 80 percent

of the consumption of the world's resources. The vast majority of mankind, the other 80 percent, are not yet involved in this process.

However, the complex powers of the capitalist world market and the lifestyle of modern industrial societies currently and rapidly compel the developing countries also to follow the wrong track taken by the North. Unless a fundamentally different alternative becomes feasible soon, not only (as they are already doing) will Taiwan, Singapore, Hongkong and South Korea go similarly astray, but also, in the next 20 years, the billions of people in China, India, Pakistan, Indonesia, the Philippines, Iran, the Arab and Latin American countries. And yet, the ecological crisis of our earth is already evident now when, as I said before, no more than 20 percent of mankind is directly involved. This means that many serious problems—each of them immense—are getting entangled in a knot that cannot be untied in present-day conditions.

By 2020, 8 billion people instead of the present 5 billion will live on earth. They must have opportunities for development and a good life, because continuing underdevelopment and misery would not only be reactionary but represent a mortal threat to mankind as a whole rather than as, today, to only the peoples concerned. The latter would catch up with the North in the worldwide destruction of the environment, the ungovernable pressure of immigration, dangerous regional crises or the (unstoppable) spread of nuclear weapons, and drag the North into the abyss. The earth could not possibly cope with an 8 billion population if the current economic and life styles of the industrial societies were to continue.

Facts: The burning of 5 billion tons of hydrocarbons (oil, natural gas and coal) represents the basis of modern economies and our wealth. At the same time, though, it is the most important source of the greenhouse effect that may well result in dangerous climate changes in the next 30-50 years and might even become irreversible. It is reinforced by felling and burning more than 120,000 square kilometers of tropical rain forests each year. Almost half these forests have already been destroyed, and—if we are realistic—any rescue of the remainder must be considered unlikely, because the causes of the clear cutting are not to be found in Brazil or Zaire, but in Europe, North America and Japan. Nor are they due simply to the importation of tropical lumber, but, very definitely, to the current situation of the world economy and world politics as well as to modern civilization. The industrial countries do not allow the developing countries any opportunity for safeguarding their physical and economic survival—except by destroying the vital necessities of future generations. Appeals for the rescue of the rain forests will do no good. Nature must be looted to escape famine, obtain investments by international corporations and repay the loans granted by capitalist banks.

I could cite many other examples of the variety and interlinking of the modern world's complexity, how truly

entire it is. It would still be possible now to avert the climatic disaster. In a few decades from now, though, the global warming caused by mankind may become self-propelling, the greenhouse effect may progress on its own, because the warmer oceans will no longer store, but release carbon dioxide, the melting polar icecap no longer reflect, but absorb solar energy, advancing desertification and tundraization will destroy the remaining forests. And that is only one of the many ecological problems.

The destruction of the rain forests, for example, involves the loss of habitat for more than half the world's animal and plant species. At a time when mankind compels life on earth to extremes of adaptation, we are threatening the genetic wealth of life on earth. In 1900, one animal or plant species died out, now two or three suffer that fate every day. The speed of extinction has increased a thousandfold. It may be that we will be able in one or the other field to avert the threat, but nature is a single organism, and there are hundreds of dangers. Their interconnections are not really calculable, and ecological disaster is bound to overtake us in some if not other fields.

Global Problems Are Not Far Distant, in Exotic Places—We Produce Them All the Time

Victorious bourgeois society is helpless vis-a-vis the global and profound internal social upheavals that have long affected its system also at an unprecedented depth and dynamism: A two thirds society, unthought-of social differentiations in all classes and strata, individualization—all of them leading to alienation, loneliness, selfishness and the me society instead of to the free development of the individual as the precondition for the free development of all, for a cooperative, communicative and cultured society. This is the first time for such a phenomenon to occur. Never, therefore, in the history of human civilization has there been as wide a gap between social opportunity and social practice, giving rise to the moral dubiousness of modern societies. In international affairs, the microeconomic rationality of the capitalist market economy produces a macroeconomic—economic, social and global—irrationality that has turned into an acute threat to human civilization as the result of the militarization of international relations and the entire daily life of society, the irresistibly growing consumption of resources, the expansion of markets and needs, the subjection of women to patriarchal capital utilization structures, the global destruction of the ecosystem and the increasingly ungovernable conflict potential of North-South relations. The greatest and barely acknowledged problem is posed by the extreme and growing complexity of the global challenges: There will be no solution to the ecological crisis without a just world economic system, no common development without radical disarmament, no mastery of science and technology without the coevolution of our different societies. To repeat: These global problems are not far distant from us, in exotic places. They are right here, among us, and we are producing them all the time.

Money Permeates Every Pore of Social and Human Life

At stake are fundamental changes in the direction of human development, that are needed within a very few decades. The pressure of time is immense, the situation dramatic. People cannot afford to continue living as they used to, with one another and with nature. They have become mankind, but their feelings, thoughts and behavior still move in the limits of the self, the class or—at best—the nation and the social system. Science and technology, modern productive and destructive forces, internationalized production conditions and worldwide communications have turned mankind into a multifarious community as regards their eventual fate, their responsibilities and development. Human reproduction conditions have assumed global dimensions, but real reproduction is still organized by national states or, at best, by region. This chasm between global requirements and the nonglobal reality is fatal. The West's predominant inclination is to consider the backwardness, disadvantages and defeats of the East to be to its advantage and signs of Western victory. Ultimately this is bound to backfire. In any case, the scientific-technological revolution can be successfully handled only if totally different global conditions are created. These should not only exclude the military abuse of its results but also end the chase after anything that is technically feasible—something now driven by commercial and power-political rivalry. Mankind's intellectual-cultural reproduction conditions are also part and parcel of the process of globalization. Unfortunately the prime example here is negative—provided by the worldwide domination of U.S.American media monopolies. The intellectual and cultural opening of all societies is indispensable now, in order from the wealth of international exchanges to nurture the preservation of vital national cultural identities.

III.

Ideas about the possible directions of the development of modern socialist policies in the present and very different new situation must certainly take into account the failure of real socialism and all its political and theoretical consequences as well as the above described unprecedented break in the human condition. Controversy on this topic rages even among the left. It is exacerbated primarily with respect to the question whether solutions are possible without the fundamental overturn of the capital dominated society, or whether politics oriented to concrete changes in this society might gradually arrive at the same result. Those, whose answer to these questions is in the negative, call for fundamental opposition by socialist movements and parties to the bourgeois society.

Indeed, it is quite evident that even far ranging social and democratic reforms in Western countries have nowhere resulted in removing the domination of capital. On the contrary, they tended to bring about the adjustment and further development of capitalist society at a higher level and the integration of forces critical of the

system. It is emphasized that, in fact, these developments provide a starting point for the capitalist market and the needs brought forth by it. Value orientations and lifestyles continue to expand externally and internally, and may eventually threaten the survival of mankind. At the present moment, we in the GDR are beginning to acutely appreciate the inherent realism of this view. The D-Mark—money—has started to permeate every pore of social and human life. It does not omit any social sector. We come from a society where the state power endeavored to leave as little freedom as possible to the individual. However, in contrast to money, it was—at least in recent years—no longer able to prevent all scope. Niches had to be admitted, and power and the state were no longer able (or only in extreme cases) to interfere. Money will interfere in everything and also subjugate human relations. In recent weeks it has dominated political and other discussions in this country, as well as people's thoughts and—increasingly—their feelings. It has caused people to act unreasonably and, by their own lifestyle, to contribute to the destruction of global human living conditions.

Is there such a thing as a process of overcoming the capitalist society, or does there have to be a revolution on the classic model? As I noted earlier, virtually all earlier reformist efforts gainsay the first notion. Although such efforts frequently aroused tenacious resistance by capital, they ultimately served merely to reinforce its predominance in Western society. The second alternative is denied by real life and by existential dangers implicit in civil wars in highly developed countries. The failure of endeavors to decisively circumscribe the dominance of capital in modern bourgeois societies—especially in the economic and social sector that is of such immense strategic importance for the orientation of the development of society and mankind—is all too evident. It is equally obvious that the logic of capital utilization as the dominating logic of economic and social development is bound in the foreseeable future to result in the extinction of mankind. Considered from this aspect, the failure of real socialism merely serves as a symptom of the failure of our earlier faith in progress as such and will inevitably be repeated as the failure of humankind, unless radical social change prevails in the next one or two decades in all societies and the polity of mankind as a whole. Such change must be the proper starting point for socialist politics in our age and needs to be linked to the valuation (hitherto foreign to us) of individual concrete change, of individual concrete progress for all. Could we not possibly reconcile ourselves to the assumption that socialism is something concrete and does not depend on the existence of the socialist social system?

Wishful thinking in one or the other direction will not supply us with a truly socialist policy. We must maintain a clear and unmistakable goal—to insist on a policy and a development of society, that leads on from the capitalist society, and this must be the definitive yardstick for our program, strategy and policy without, however,

misleading us into adopting a sectarian attitude vis-a-vis system-consolidating social and democratic reforms. Our place in the political spectrum is that of a party resolutely critical of capitalism. In the dispute with social or ecological-reformist liberal and conservative forces and in constructive yet critical consideration of their perceptions, we will endeavor to confer both social and political acceptance upon this goal. Our ability to constantly review and correct our own strategy and policy will be indispensable in this context. If we remain capable of and ready to orient this process to our socialist target, we will be able to avoid getting stuck in reformism. Vital debate and the formation of policy within our party and with all left forces will be the most important prerequisites.

The Concern Is for the Comprehensive and Radical Democratization of Society

What, therefore, could socialist politics mean other than our having a socialist goal? I think that our present concern must in fact be that of fighting for the greatest scope possible for the free development of man. At the same time this aim includes the necessity to interpret such scope as something allowing ample room for collective, cultural and alternative lifestyles. As I noted earlier, there is a persistent danger that the reformed capitalist society may reclaim this scope. However, capitalist society's ability to do so will depend on the strength and resolution of the forces critical of the system. Willy Brandt's 1969 SPD-FDP Government began with the promise of and sincere wish for greater democracy. Some early positive results were, however, offset in the end by the decree on radicals and bans on the exercise of professions. The social scope freed from the domination of capital not only needs to be achieved once, it must be protected against capital's reemergence and also enlarged. If we fail to do so, system-securing reformism will inevitably prevail.

At the present time, socialist politics can and must intervene primarily at the nerve centers of the development of modern production methods and lifestyles. I am convinced that we may thereby provide a different development direction for society in general. At the same time this means that we can achieve this goal only against serious resistance by capital and the political forces committed to it.

First: Socialist politics must represent the struggle for the extensive and radical democratization of society. Democracy in its modern meaning and shape, in fact, equals socialism; it is not merely the decisive tool for organizing socialism. In this context special significance must be assigned the supplementation and further development of parliamentary democracy by the realization of basic democratic opportunities and an effective economic democracy—in particular we need to overcome the monopolistic power of disposition of the ownership of crucial means of production. Neither of these is simply a matter of ongoing democratization. It is also a necessity for even making feasible modern, complex and

unprecedentedly dynamic societies and for assigning priority to total societal and human interests—on the realization of which depends our survival. Nor will it be possible by any other means to stop the dangerous alienation of man from his own living environment. In both these respects it is imperative to be able not only once every four years, but constantly and in all social sectors, to put forward the interests of all citizens in their concrete development and appearance.

Second: Social equality of opportunity, especially as regards access to education, culture, sports and science. We are already about to revert to a situation where the parents' purse decides the opportunities available to children and adolescents. And yet, from the social aspect, equality of opportunity for everybody is indispensable for any genuinely modern society.

Women Carry Out Two-Thirds of All Work Done, but Only a Quarter of This Is Paid Work

Third: The social equality of women and men. This means breaking through the patriarchal structures of all societies. The vehement resistance to such developments in the Western countries clearly shows that this task directly affects capitalist reproduction processes, where women are used as a kind of reserve army but also—and indeed mainly—for the unpaid reproduction of the male labor force. It is far too little realized that this represents a worldwide problem. Women carry out two thirds of all the work done on earth but get paid for only a quarter of this work. Profound changes in social and individual lifestyles and modern and adequate child care facilities will be needed to settle these problems. Quotas will actually be required in all socially important sectors, especially as regards management levels, and so will the implementation of the old but still unrealized principle of equal pay for equal work.

Fourth: Freedom from the domination of capital over culture, art, science and sports. The increasing subjugation of these sectors to the capitalist market is proving quite fatal. The earlier political bondage practiced in the GDR is being replaced by almost complete economic bondage (even disregarding the fact that a new political bondage is being substituted for the old one). The marketing of culture, art, science and sports not only involves economic constraints, it also represents a serious danger.

For the Free Development of the Individual in Solidarity With All

Fifth: We must be concerned with the freedom of access to information and the democratic handling of the latter. Recently a West German jurist took an entire page in the FRANKFURTER ALLGEMEINE ZEITUNG to dispute the draft constitution offered by the Round Table for, among other reasons, providing for free access to government data by citizen initiatives. His argument: Information is a matter of sovereign rights. The man is right, and freedom of access to data on all socially

relevant issues means breaking through sovereignty. If we take socialist politics seriously, it must be concerned with no more and no less.

Sixth: While this list is certainly not meant to represent a ranking (especially because my starting point is the necessity of great complexity for socialist politics), the equitable distribution of labor will have to be assigned a key function in our political conception and struggle. On the one hand, this is a traditional social goal of socialists, on the other, it is likely to be a decisive means by which to fundamentally reinforce the social nature of society in general. Reductions in working hours and their equitable distribution should create new opportunities for the free development of the individual, combined with solidarity with all. This would be achieved by more leisure, used meaningfully, and also by the opportunities arising for changes in the relationship of capital and labor, by new social value orientations and needs.

Seventh: The rights of political, social, cultural, ethnic and other minorities must be organized in a basically new manner and should not just be tolerated. They must be regarded as an element of majority interests. Their effective implementation still awaits. The inability of modern political and social systems to change at the appropriate time is due, among other things, to the fact that this entire social wealth of variety is largely under-used.

A New Start Has Been Made in Many Places—And Time Is Short

Eighth: The ultimately decisive factor is this: Socialist politics must concentrate on the solution of world problems. We are confronted here with an immensely complicated issue. At the moment global and long-term interests do not coincide with mankind's concrete interests and survival conditions—nor are they understood as such. By the concrete representation of the tasks listed in points 1 through 7, socialist politics must therefore contribute to the development of new social production conditions and lifestyles as well as value orientations that will facilitate the proper coincidence of the interests of mankind and the development of the individual. Otherwise no solution of the world's problems will work. Society's democratization, demilitarization, ecologization and solidarity will be demonstrated as the essential elements of socialist politics and modern socialism as such.

We do not, for the politics of our party and the left in general, have a single class or stratum capable of representing its social base—involved in a decisive position in the operation of the system, on the one hand, and developing an interest in surmounting it, on the other. The labor movement as a cultural movement was destroyed by the Fascists. We will find the real fields of operation for our party wherever new and renewed social movements and their political goals and notions of a changed lifestyle point beyond the society dominated by capital and toward a cooperative, ecological and cultured

world. Such a new start has been made in many places. Time is short. There is far too little socialist politics on this earth.

PDS Renewal Guidelines Published

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[Text]

On the Revision of History

1. A renewal of the party without historical revisions is inconceivable. The PDS [Party of Democratic Socialism] must resolutely face the task of clarifying historical events if only because after the collapse of the SED [Socialist Unity Party of Germany] the entire official SED view of history—which was conceptually geared to vindicate the policies of the party's leadership—collapsed with it. An initial critical scientific analysis of the SED's approach to history reveals—aside from abstractness, gaps, and palliation—a serious conflict with historical truth. Consequently, an uncompromising pursuit of historical accuracy, honesty and truth is essential. Honesty and truth in dealing with history must be a decisive characteristic of all PDS policies.

2. The PDS acknowledges its obligation to revise the history the SED left behind and, simultaneously, to nurture democratic and socialist traditions.

We maintain that the ideas of democratic socialism are deeply rooted in the history of humanist philosophy and that this fact contributes to the historical and political legitimacy of democratic socialism.

However, this thesis must not remain a proclamation; it must also be implemented as one's understanding of its implications grows. The PDS has rejected the SED's concept of tradition and, instead, has adopted the entire tradition of the German and international democratic and humanistic movements of the left.

The question has been raised whether special emphasis on the "dialectic and materialistic ideas of Marx, Engels, W. Liebknecht, Bebel, Bernstein, Kautsky, Luxemburg, K. Liebknecht, Lenin and Gramsci" (despite urgently needed completion of "blank pages" in the lives and works of Bernstein, Kautsky and Gramsci) may not lead to tunnel vision. Historical revision demands that the old system of exclusivity, with its two categories of "progressive" and "reactionary," be abandoned, especially since historical presentations of the past decades were frequently characterized by references to "black and white" images.

3. Especially when considering the way to German unity, the following question must be answered: Which progressive heritage of the 40-year-old GDR history should be held on to in a future Germany?

A realistic approach calls for an impartial assessment of all options and should not play down the influence of opposition forces. Thus, to ask what effect opposition forces had on the deformation of socialism is not only legitimate but indispensable. Nor can the perception of the failure of "real socialism" in the GDR—and the fact that "real capitalism" in the FRG has shown itself to be more efficient and productive as well as victorious in the cold war—mean that historical aberrations and weaknesses of the FRG should be automatically suppressed, or that one should regard it as proof of the FRG's ability to solve global problems.

4. It is a fact of history that Stalinism, totalitarian "command socialism," has strongly affected the development of the GDR. The following question must be answered: What, above all, was the effect of Stalinism on German soil?

Beginnings of a lasting and democratic renewal on the territory of today's GDR were undermined or dismantled. Until 1948 efforts expressed themselves especially in the genesis of a party pluralism; in the secret 1946 elections for the people's representatives and in the joint efforts of communists, social democrats and others to find a peaceful way to socialism.

One also needs to ask whether the type of party that the SED embodied was not the greatest obstacle to progress and renewal.

5. To revise history one also needs to answer the question whether, after the murder of Karl Liebknecht and Rosa Luxemburg, the KPD [Communist Party of Germany] or SED ever had any real comprehension of a democracy that would continue the old German social democratic traditions.

Contrary to its professed goals—and despite the subjective wishes of many of its members who had held on to their socialist ideals—the SED in fact prevented socialism and made it impossible, despite political, cultural and social beginnings which suggested that the way to socialism was still open. The SED demanded a leadership role and enforced its claim ever more exclusively with administrative and repressive resources, thus conveying a fundamentally false image of socialism.

6. The history of the GDR proves that a socialist approach cannot succeed if it gives precedence to a policy which ignores reality and which is based instead on general postulates, characterized as Marxist-Leninist, and superimposed on reality by force.

What failed in the GDR is not socialism but a social model which never went beyond certain socializing factors. The attempt to realize socialism as a vision of one of the greatest humanist ideas in the history of mankind

and as an expression of ancient human ideals was legitimate. However, the decades-long suppression of attempts to overcome Stalinism and its national, home-made variations made an immediate democratic-socialist renewal—a realization of the vision of the future, of socialism—impossible.

Discussion of Program and Socialism

1. While the concept of "democratic socialism" represents a clear rejection of the SED's interpretation of socialism, it does not reject the socialist idea as it was originally conceived. That idea envisaged the replacement of the old bourgeois society—with its classes and class conflicts—by an association in which the free development of each individual was a prerequisite for the free development of all people. This thesis of Marx and Engels places the individual and his social environment at the center.

2. Today, the point of departure for understanding democratic socialism must be based on a dialectic-materialistic analysis of contemporary capitalism. Such an analysis is only possible if all black and white stereotypes—which define imperialism as decaying and parasitic capitalism—are avoided. It has been demonstrated that the traditional capitalist society can be dynamic, reformable and progressive. Capitalism has manifested a considerable ability to be innovative. In contrast to state socialism, the highly industrialized capitalist societies have used the scientific-technological revolution to comprehensively develop modern productive resources. All significantly new technologies (microelectronics, robotics, biochemistry, etc.) originated in capitalist countries.

Undoubtedly in part because of the competitive environment created by state socialism, there was progress toward democracy and individual freedom in social, cultural and other areas. However, when analyzing these events one must not make the mistake of looking only at metropolises since much has been achieved at the expense of underdeveloped countries.

3. The PDS should not be guided by abstract "Marxist-Leninist" models but proceed logically on the basis of reality. That means to subject basic principles, which the SED and other parties have pronounced to be "universal laws" or irrefutable truths, to a radical critical reassessment. This refers to such matters as:

- the thesis of the historic mission of the working class;
- statements concerning the character of the era;
- the concept of the universal revolutionary process;
- the perception of socialism as a society which can prevail over capitalism simply by creating new power and property relationships;
- the relationship between reform and revolution;
- the definition of classes and class interests;
- the perception of the party and the alliance.

The political point of departure for the PDS can only be the adoption of the capitalist potential for progress and

to proceed from there historiocritically (e.g., market economy, plurality, individuality, political separation of powers).

Since these principles are progressive, they are not special attributes of capitalism but attributes of the universal progress of civilization. Because crises and mankind-threatening dangers are always imminent with capitalism (e.g., inability to solve global problems), the PDS must issue warnings about the complex and controversial nature of all democratic, ecological, social and humanist solutions to social problems; [a task] which always implies that there is a need to develop concepts for social structures which go beyond capitalism. This means asking for new social priorities, which are not measured by the size of capitalist profits but are designed to promote the unobstructed realization of the human personality and the unity of man and nature, to view and treat the world as an entity and to preserve the peace.

4. The demand for equality of the sexes is for us one of the universal human rights problems that need to be solved; it should not be down-graded to a social problem.

One of the principles of the PDS is the liberation of women from the chains of a patriarchally dominated society. This liberation also calls for a revised historical analysis of the social aspects of the conflict of the sexes and a search for other similarities between the Marxist and the feminist movement. For our party this means accepting the establishment of quotas which, however, are only a means to an end. The problem of overcoming the traditional roles of the sexes has hardly been recognized by our female comrades and has certainly not been addressed. Prejudices against feminist movements continue to abound. Visible progress must be made in this area.

5. Democratic socialism includes persistent criticism of capitalism. Capitalism recognizes no limits to the development of its productive capacities, but it does set definite limits on their control for the common weal. The dangers to mankind's existence cannot be met by linear progress in the manner in which contemporary Western societies progress today. Consequently, the PDS—as a party of the left—advocates a type of progress with which capitalist structures can be overcome. The approach lies mainly in the democratization of all aspects of society, beginning with property relationships for the most important means of production and for the entire world of labor, so that the profit mechanisms would not be removed entirely right away, but their unchallenged rule would be reduced and subordinated to new social goals. The PDS sees democracy as the content of and, at the same time, a vehicle for human intercourse. Attention must be paid to the dialectic of democracy and the rule of law. The constitution must endow state and parliament with the role of serving democracy. Parliamentary and extraparliamentary democracy, as we see it, are political values of equal rank.

6. Social justice for and between societies is central to the work of democratic socialists. The humanization of the work place, of wages and of pensions have priority.

7. Establishing a new kind of social evolution means breaching the neo-conservative hegemony democratically by the gradual ascendancy of progressive political, social, and cultural forces. It has been shown that none of the leftist parties and movements can gain leftist goals by itself. The concept of the "Left" must, therefore, be expanded. Democratic socialism must be understood as a broad heterogeneous movement for social progress. Social upheavals in the sense of traditional revolutions appear, at least in Europe, neither probable nor desirable. Democratic socialist progress will be a long-term process of transformation in the course of which social elements of a higher quality will evolve.

8. A programmatic renewal is inseparably related to making the party accessible to all progressive and humanist ideas and ideals. This approach presumes a redefinition of the relationship between the Party of Democratic Socialism and intellectuals. Their ideas, proposals and utopias are an indispensable basis for evolving and implementing a leftist socialist policy.

Regarding the Democratization of the PDS

1. In all visible efforts for renewal and democratization, the PDS is still engaged in the painful and complicated process of overcoming party structures and of evolving and testing new organizational patterns. It can only be the "Party of Democratic Socialism" if it, itself, is deeply democratic and structured in such a way that it will nurture the full potential, creativity and initiative of its members. Its ability to accept new ideas and to create an organization in which opinions are shaped and decisions are made by a democratic process is not only a critical precondition for the internal democratization of the party. If the PDS wants to be a party that contributes to social progress and thinks of itself as being part of—rather than the vanguard of—a collective, leftist and democratic movement, it must identify with the progressive ideas of its time and be willing to accept, integrate and develop stimuli from other progressive forces. It can make use of the experiences of citizen movements and shape a new political environment that is characterized by respect for minorities, by self-determination for individuals and by tolerance, an environment in which objectives are openly formulated and decisions are openly made. In this way it will surmount the ideas and structures of the old party and assume the character of a new party, a party which combines within itself the attributes of an organization and of a movement.

2. One of the important tasks of democratization is to assure that PDS views and objectives evolve primarily from the ground up. Executive committees exist for the members. They should concentrate more and more on becoming familiar with the experiences of different low-level organizations, they should generalize them and make them public. By so doing, they fulfill many of their

functions as coordinators and managers. It must be decided how information should flow horizontally to facilitate a democratic communication and policy-making process within the party (between grass roots organizations and between executive committees on the same level) and vertically (from the grass roots up to all management levels and vice versa).

3. It is obviously wrong to view the grass roots organizations of residential areas as the only organizational pattern.

The spontaneously created platforms, initiatives, work and interest groups are an indication that a new identity and real pluralism is evolving within and with regard to the PDS. So far these groups represent the best opportunity to broaden the party and to transform it into a movement and also to create a new environment for shaping the party's objectives. The bylaws should provide that these initiatives, interest and work groups have the same rights and obligations as the grass roots organizations.

On the other hand, one needs to consider whether grass roots organizations in residential areas would then still be able to manage local politics. Dual membership in local grass roots organizations—where everybody would still pay dues—and in other organizations may be the answer; this approach has often worked well in practice.

4. Democratization of the PDS requires, on the one hand, advancing the process of self-awareness, intellectual comprehension of the past and developing new key programs and, on the other hand, strengthening the party's political hand in different social strata. One cannot be separated from the other since the ability of the PDS to function depends on how well it and its members are accepted as partners by people in trade unions, movements and associations who have different ideas; the democratization of the PDS, in turn, cannot proceed independently of the political action experiences of its comrades. Question: How, in this process, can we increase our influence within those social groups which rejected the PDS most emphatically in the elections (workers, farmers)? What can we do to overcome sectarianism toward the intelligentsia within the party?

5. When discussing the party's self-awareness and, especially historical revisions, the party's membership composition by age should be noted. Many are pensioners; about 27 percent are between the ages of 50 and 60; only 15 percent are between 40 and 50; and 25-30 percent are under 30. There are very significant differences, especially in the way comrades under 30 and the large number of people over 50 approach the past and also the future. Mutual understanding must be promoted and party life must be shaped by all its members in such a way that especially young comrades and sympathizers are given space which they can expand by actions of their own choosing.

6. Within the PDS we have to deal with ideological pluralism (platforms and work groups); with social pluralism (ranging from workers to tradesmen to professionals) and organizational pluralism (grass roots organizations in residential areas, industry, work and interest groups). The importance of platforms for theoretical and platform debates should be based on the bylaws.

This manifold pluralism should be nurtured in such a way that joint actions and joint execution of majority decisions are assured and that the PDS does not "burst at the seams." However, there should be a way to resubmit minority positions for discussion.

7. Introducing and strengthening direct democracy are important experiences of citizen movements. Plenary membership meetings, polling of members and voting at kreis, land, and republic level should be accommodated in the bylaws and in day-by-day operations. Using experiences of other organizations with the appointment of honorary chairman and full-time deputies should be examined. All executive committees and presidiums should introduce partially staggered rotating terms.

One-to-one representation by sex in the PDS should be enforced for all elected bodies from kreis level up.

Minority rights should be expanded in the bylaws. Representatives of minority views should be proportionally represented in executive committees; [there should be] no party-line voting and no obligatory collaboration. When votes are taken, the minority vote should also be published as part of the voting results.

Openness is a prerequisite for obtaining everybody's democratic cooperation and, therefore, an "intrinsic duty" of executive committees. Executive committee meetings are generally open to the public. Agendas and materials should be published in time; place and time should be chosen in such a way that interested parties can attend. "Topical discussion hours," for the presidiums, publication of bulletins beginning at the kreis level and of a popular membership periodical by the party's presidium are just as much needed as grass roots conferences, action days and other forms of communication.

The full-time party machinery, in a much reduced form, must be oriented to accept substantive and organizational support from volunteers. The current discussions about a new structure and democratic working principles must be made public so that the entire party can participate.

8. Democratization of the PDS demands education and self-education in tolerance and solidarity and means practicing tolerance and solidarity within our own ranks and toward others. They must become established in everything the party does. The following areas should receive special attention:

a) Resolutely rejected must be prejudice and discrimination against:

- foreigners of either sex;

- members of religious groups, especially those with which we are largely unfamiliar;
- gays and lesbians.

b) The PDS must help prevent social ostracism of the unemployed; maintain and raise their self-esteem and counteract already noticeable guilt feelings toward their families for being male or female failures.

c) How can the PDS become more effective in integrating the disabled into society? How can prejudices against or fear of contact with the handicapped be overcome? Sectarianism within the party with regard to small trades(wo)men, artisans, freelancers, small and medium business(wo)men as well as bureaucrats must be eradicated.

9. The democratization of the PDS requires, on the one hand, a close relationship between its grass roots organizations and executive committees and, on the other hand, their representatives in parliaments at all levels, comrades who have been elected to work councils, to be trade union functionaries, or to be executives of clubs and associations. Question: What type of organization could be established for such constant contacts?

10. Working with sympathizers should be understood and practiced by all grass roots groups and executive committees as an important part of the democratization process.

On the PDS Membership Structure

The composition of the PDS has radically changed from that of the former SED.

Starting with its key program goals, the PDS is currently at the start of forming a new membership structure, which must, more and more, do justice to the party's claim of being the link to a large reservoir of leftist voters.

1. The PDS membership currently comprises 350,000 comrades. Far-reaching structural changes are taking place in its composition, changes which exemplify the transition from a party of cadre and functionaries that dominates all aspects of society to a democratic socialist party.

An analysis of the changes in the membership structure should answer the following questions:

- How in thought and action does the renewal process proceed in various social groups?

Characteristic for the spectrum of motivation is, on the one hand, the will to participate actively in creating a modern socialist party and, on the other hand, the will to remain true under all circumstances and to express solidarity with a leftist party. Such a decision was frequently preceded by the need to overcome an inner, often painful and self-critical, conflict but also by a confrontation in the party collective. The resumption of

accepting members had substantial positive effects on the composition of the PDS.

- What are the motivations under today's conditions for joining or leaving the party?
- Which new factors will affect the membership structure in a united Germany?

2. Characteristic for changes in the membership structure, compared to the former SED, are:

- an increase in the number of women (from 36 percent to more than 40 percent);
- a reduction in the number of workers, particularly from the manufacturing branches;
- a relative increase in the number of intellectuals and white-collar employees;
- a distinct reduction of members from certain social groups such as functionaries in the state bureaucracy, management personnel in plants and facilities, members of the armed forces;
- a disproportionate representation of age groups was caused by the relatively greater reductions in the middle-age group.

3. Among the roughly 2,000 PDS members admitted in 1990, who had never belonged to the SED, a wide spectrum of social and age groups is revealed:

Workers	27.4%
Farmers	4.4%
Intelligentsia	12.8%
White-collar employees	27.3%
Unemployed	0.5%
University students	5.4%
Secondary school students	3.4%
Apprentices	4.9%
Pensioners	8.8%
Others	5.2%

Women make up 56.4 percent of newly admitted members.

These admissions are not, however, sufficient to compensate for those leaving the party. Gaining new members must be energetically pursued by:

- reducing the minimum age for party membership to 16;
- granting work groups, initiatives, and interest groups the right to admit new members to the party.

What are the advantages and disadvantages for the PDS to justify a change in the bylaws?

4. The dissolution of the entire bureaucratic organization of the party structure and the creation of new ones from base organizations up to the party presidium was an important step in recruiting a new PDS membership.

This effort included the issuance of new PDS membership cards and new registration in membership lists.

What demands will be made on PDS membership registration in the future?

- Are lists of names necessary?
- What data should be collected for statistical purposes?
- What materials should be uniformly used and made available to the organizations, including materials for collecting membership dues?

The PDS as a Socialist Party and Part of the Left in a United Capitalist Germany

When the state treaty for monetary, economic, and social union becomes effective on 1 July 1990, the PDS will be forced by circumstances to become publicly active in all-German political activities. Connected therewith is a new programmatic determination of the PDS headquarters location as well as a far-reaching continued development of self-awareness regarding its parliamentary and extra-parliamentary efforts as a socialist opposition party.

It appears that the results of the landtag [state legislature] elections in the GDR will largely determine whether the PDS will become a German opposition party with significant parliamentary representation. Our resources should, therefore, be maximally utilized in the landtag elections.

1. The GDR will remain the political focal point for the PDS in so far as it will represent the interests of former GDR men and women in a unified, capitalist Germany.

2. The PDS will also focus resolutely and persistently on representing the interests of FRG citizens. It will make every effort to prevent negative consequences of the precipitate unification policies for FRG's citizens.

3. The key programs of the PDS must change in the environment of a unified, capitalist Germany. The PDS is caught in the dilemma of the requirement of shaping a capitalist society while working toward a better solidary, humanistic, and ecological society. Its efforts must, in any case, be anticapitalist.

4. In the course of representing the social and political interests of all citizens of a unified, capitalist Germany, it becomes important for the PDS to develop social-political alternatives to the existing social order. Here the focus should be the relationship between capital and labor. The development of ideas for property relationships as alternatives to the existing capitalist society and for alternative applications of market forces will be important prerequisites for this effort.

5. The process of developing key programs and of renewing the PDS will be decisive in determining the place the PDS will occupy in the coming society.

6. In defining its relationship to the parties and movements of the left in Germany, the PDS will consider its positions with regard to the struggle for representing the social and political interests of workers, to drafting social strategies to overcome capitalist structures by democratic, constitutional means as well as to its position concerning the creation of a new German democratic republic.

7. The strength and extent of the renewal of the PDS in a unified Germany are important points of departure for the relationship to other parties and movements of the left opposition. We must hereby clearly separate such joint efforts from old ideas about "front policies." An important principle for our party must be the recognition that all parties have equal rights.

8. Collaboration between the PDS and the SPD [Social Democratic Party of Germany] is necessary. The SPD can only be moved toward political collaboration if the PDS also develops into a relevant political force in a unified Germany; if it renews itself programmatically and politically, and if it can rely, at the same time, on steady social acceptance. This excludes mutual critical assessment just as little as does the working out of programmatic and political differences.

9. The results of the first all-German elections will, consequently, be decisive in determining the future relationship of the PDS, to the SPD and to the Greens as well as to all other parties and movements of the left.

10. Important prerequisites for cooperating with all leftists will be created by the PDS membership. Such cooperation can only grow if it is broadly supported by the members of our party, as well as by other parties of the left. To this end it is necessary that a proper understanding of alliance policies develops throughout the party. Thus, all suggestions that would lead, sooner or later, to the marginalization of the PDS (regional party, election support of the SPD or the Greens, etc.) must be rejected.

11. The deliberate creation of the PDS as a socialist opposition party in a unified Germany and intensive discussions with all the parties and movements of the left in the GDR and FRG give the PDS an important impetus for renewal. As a result of these contacts and discussions the party also gains new self-awareness, improves its image and gains new elements of political culture.

POLAND

Increase in Asylum Seekers Necessitates New Laws, Procedures

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[Article by Krzysztof Kilijanek: "Asylum in Poland: Will the Ministry of Internal Affairs Tell the Albanian Refugees, 'We'll Accept You if Your Persecutors Agree?'"]

[Text] At present it is hard to predict the future of the several dozen refugees who took shelter in the Polish diplomatic mission in Tirana. Will they be able to leave that country? Will they go West or ask for asylum in Poland? One thing is certain: for not only economic but legal reasons Poland is totally unprepared to cope with this problem long besetting the rich countries of the West. Yet everything indicates that a growing number of refugees will each year knock at our door too.

Our laws on asylum and political refugees are few and extremely generalized. Article 88 of the Polish Constitution states: "The Polish Republic grants asylum to citizens of foreign countries who are persecuted for defending the interests of the laboring masses, struggling for social progress, acting in the defense of peace, or engaging in national liberation struggle or scientific research." The Law of March 1963 on Foreigners contains merely a provision stating that asylum is granted by the Ministry of Internal Affairs in consultation with the minister of foreign affairs.

This scanty review of legislation is complemented with the Executive Order of 1 October 1963 of the Ministers of Internal Affairs and Foreign Affairs on the Specific Rules and Procedures in Cases of Foreigners and Sample Documents for Foreigners. According to it, a foreigner wishing to seek asylum in this country submits a request explaining the reasons for his decision. He should submit it to a Polish diplomatic mission (if he is abroad) or to the voivodship [militia, now police] command if he sojourns in the Polish Republic.

That is the entire Polish legislation on the subject of political refugees and asylum seekers. It is not much, but until now there was no problem. Until now, also, Poland has not signed a 1951 convention on the status of political refugees.

Refugeeism as a political problem arose for the first time on the international scale after World War I when millions of emigres scattered throughout the world lost contact with their countries, and most often became stateless. This problem was tackled by the League of Nations, and the point of departure was a 1922 agreement on granting "Nansen" passports to Russian refugees. Somewhat later, special organizations arose, namely, the Office of the High Commissioner for Russian Refugees, which also attended to Armenian refugees from Turkey, and the International Committee for Refugees from Germany and Austria, formed in 1938. In that year they were combined into one Office of the High Commissioner for Refugees, which, however, ceased operating in 1939.

After World War II the International Organization for Refugees was formed by a resolution of the United Nations General Assembly and operated during 1947-1949. It was followed by the still existing Office of the United Nations High Commissioner for Refugees, located in Geneva.

International law does not view asylum and political refuge as identical concepts. The former entails the extremely high obligations assumed by the party granting the asylum (jobs, housing, social welfare, state guarantees precluding extradition to site of domicile). Asylum pertains to individual cases and is never granted automatically. Refugees are a different matter. The status of political refugees can be automatically granted to entire groups or societies.

Until now Poland has hardly been a politically and financially attractive country to asylum-seekers and political refugees. In the 1950's and 1960's it occasionally received substantial groups of Greeks, Koreans, Turks, and Middle Easterners. In the early 1970's, after the overthrow of President Allende by Pinochet, persecuted Chileans found shelter in Poland. Since 1984, small groups of Iranians, Lebanese, Tamils, and Romanians, numbering several dozen people each, have been arriving in this country. But for most of them Poland was and is only a transit country en route to the West.

The very fact of coming to Poland and presenting a declaration or even evidence of persecution in one's home country is not sufficient reason for granting the status of a political refugee. During the initial period after arrival, the refugee is cared for by the Polish Red Cross, which collects the documents required by international law and transmits them to the Geneva office of the United Nations High Commissioner for Refugees, where they are inspected and verified. It is there, too, that the decision to grant the status of political refugee is taken. If the decision is positive, Poland is reimbursed for the expenses of caring for the refugee. If it is negative, we defray them ourselves.

According to a report from the Department of Foreign Cooperation at the Polish Red Cross, generally only every 10th request is approved. Besides, the problem had not been big until last March, because Sweden used to admit even those refugees who had not been "verified" by Geneva. But last March the Swedes closed the gates, and this has resulted in the presence in Poland of more than 800 foreigners who do not want to, and often cannot without endangering their lives, return to their native countries. Much indicates that this number will grow.

To be sure, Poland is not a signatory of the convention on refugees and so is not obligated to adhere to its provisions, but still the Polish authorities try to adhere to it insofar as possible. Why are we then delaying its ratification? It is simply because we cannot afford to meet all the obligations it imposes in providing refugees with housing, work, and social security and exempting them from all fees and taxes.

We have political refugees (though without a formal status), but neither at the Ministry of Foreign Affairs nor at the Ministry of Internal Affairs does anyone remember granting political asylum to any foreigner in the last dozen or so years. Any such decision is a vote of

no confidence in the country of origin of the asylum-seeking foreigner. Hence, even the major world countries are very selective when it comes to approving such requests; they approve more willingly and rapidly requests for granting the status of political refugee.

Several weeks ago there was the publicity surrounding the affair of a Soviet citizen, Vasiliy Stetsyk, who was refused the right to a political asylum. While at work at a metallurgical combine in Novotroitsk he publicly criticized abuses and swindles there. In response, he was subjected to repressions and chicanery. Mikhail Gorbachev, the Soviet Procurator General, and the Supreme Soviet ignored Stetsyk's complaints, and his persecution increased. After prolonged attempts, Stetsyk was able to get a passport, left for Poland, and upon arrival requested asylum.

After several months he was informed that, under the constitution, there are no grounds for granting him asylum, because its Article 88 states that it is granted for defending the interests of laboring people or for national liberation struggle. It contains no mention of the rights of man. Vasiliy Stetsyk learned, moreover, that he can again apply for asylum only after he applies for a permit for permanent residence in the Polish Republic. But first, he would have to find a steady job, housing of his own, and...the approval of the Soviet authorities. These demands are rather strange considering that even the outdated Law on Foreigners makes no mention whatsoever that a request for permanent residence is a prerequisite for a request for asylum. How then did the Ministry of Internal Affairs adopt such an interpretation?

Fortunately, the recent revisions of the Code of Administrative Proceedings provide that decisions of the Ministry of Internal Affairs can be appealed to the Supreme Administrative Court. No such appeals have yet been made, but then only a few weeks have passed since these revisions were made. Will the case of Vasiliy Stetsyk provide that precedent?

This case illuminates the deficiencies in the laws governing the right to asylum. These laws had been granted in the first half of the 1960's when the problem of asylum-seekers and political refugees was known in Poland practically only from press reports on events in the West. Hence the lack of precise provisions, implementing regulations, and specific delegations that would leave no room for the present, far-reaching arbitrariness in interpreting the related legislation.

We should also consider that, as its opening to the world broadens, Poland may become one of the greater concentrations of refugees in East Europe. It is certain that we may expect greater immigration from Lebanon, because the only diplomatic mission in Beirut to issue visas to East Europe is the Polish Embassy. As for the possibility that, once the shooting in Lebanon ceases, a majority of the refugees will decide to return to their homeland, that is another matter. It is possible that,

abstract as this reasoning may be, in the event of a collapse of the independence movements in the Baltic republics, many of the opposition activists there will decide to seek asylum in Poland. Who knows how the situation in Romania, Bulgaria, and Albania will evolve in the next few months. It should also be borne in mind that the Western countries are closing their gates more and more tightly to refugees, so that, in search for shelter, they will arrive in this country in increasing numbers.

Yet our laws in this respect have not been updated for more than 25 years. To be sure, early this year the Ministry of Foreign Affairs had proposed that steps be taken to ratify the convention on refugees (which by 1987 had been signed by 101 countries), but the difficult economic situation will not promote a speedy resolution of the matter. Besides, aside from the economic conditions, we would need at least one and one-half to two years for the proper preparations to respect the obligations ensuing from that convention.

Thus, the updating and complementation of the existing laws on the granting of political asylum should be considered. Contrary to appearances, this is no easy matter. Should we emulate the Federal Republic of Germany where, until quite recently, practically any foreigner was granted asylum after going through the courts for several years. Or should we follow Finland and shut our borders tightly to undesirable guests? In addition, we should work out a coherent system for gathering information on the foreigners applying for this status.

That is so because, soon now, Polish officials may face difficult problems. Has a Tamil from Sri Lanka, a citizen of Iran, or an inhabitant of East Timor fled his country to escape the poverty of slums, and should he be deported back to it, or does his deportation indeed harbor the danger that he might be tortured or even killed for having engaged in oppositionist activities? Who can verify this? Our embassies or special offices at the Ministry of Internal Affairs?

One thing should change fairly rapidly: the fact that decisions on such matters are taken by the Ministry of Internal Affairs, which is not the best solution. Unfortunately, in our country the name of that ministry is associated with the police and secret services. For this reason, we should change the venue of such decisions.

Bartoszcze on Farmers' Strikes, Government Policy, Coalition

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[Interview with Roman Bartoszcze, president, Chief Executive Committee of the Polish Peasant Party, by Wojciech Krawczyk; place and date not given: "A Policy of Distancing Themselves"]

[Text] [Krawczyk] At the very moment when the decision was made in Mława to halt the [farmers'] protest, the PSL [Polish Peasant Party] Supreme Council, at its

Saturday, 16 June meeting, began to hurl thunderbolts at the government. This went on until late Sunday night, when you finally dotted the "i" at the meeting in Kalisz Ostrzesow with your public announcement that "the Mazowiecki government is no longer a peasant government." Yours must be a comfortable position from which you may draw political advantages without exposing yourself to any sort of risk, wouldn't you say?

[Bartoszcze] I do not quite understand what sort of comfortable position you have in mind.

[Krawczyk] That sort of position in which, on the one hand, the representatives of respectable political and social forces become involved in resolving a local peasant protest, thereby taking the great risk of a political loss and loss of confidence. Meanwhile, the peasant party leadership and you, its leader, not only do not go to Mlawa, you continue to keep silent, and only break your silence when the protest is over. You then make yourselves out to be the sole defender and representative of peasant interests.

[Bartoszcze] I found out about the protest on Friday morning on the radio as I was driving to Wroclaw. I returned from Wroclaw in the middle of the night, and on Saturday I opened the deliberations of the PSL Supreme Council.

Unlike Tadeusz Mazowiecki, however, I often meet with the peasants. For this reason, I am very aware of the rural situation and the reasons for the Mlawa strike. Such a strike may be repeated elsewhere at any time, for rural Poland is upset both by the price level of milk and farm yields and by the fact that even these miserable sums cannot be obtained for the goods delivered to the various cooperatives.

It does not take much to find out that this agitation has lasted a very long time. A month ago I myself restrained the Przemyśl and Rzeszów peasants from setting up roadblocks, even though I agree with them that milk and potato prices are scandalously low. Meanwhile, milk is being imported from France at a price of 5,000 zlotys per liter, while our farmers get only 400 zlotys per liter....

[Krawczyk] This discrepancy must result from the reform assumptions according to which direct consignees pay whatever price is asked for milk. Perhaps the consignees have some sort of business and that is why they pay 5,000 zlotys instead of 400 zlotys—what kind of business is their affair....

[Bartoszcze] But this reform has confused ends with means; the basic end appears to be to deepen the recession. At a time when pro-production mechanisms were to have been set in motion, more belt-tightening is being proposed. I, myself, am unclear about things right now, for the peasants remember that during the parliamentary election campaign, I announced that they would have to tighten their belts by 30 cm, but only for a few months. Now it seems that this belt may cut them in half. At the same time, the government has been vacillating

for some time on the issue of where it should put its accumulated funds—into milk production subsidies or producer support.

[Krawczyk] In this situation, does the PSL have some sort of alternative program to L. Balcerowicz's program?

[Bartoszcze] It would be a simple matter to prepare such a program.

[Krawczyk] But does every alternative mean a return of inflation?

[Bartoszcze] We already have inflation.

[Krawczyk] But when the government begins to hand out money without purchasing power to successive social and professional groups, it will turn into runaway inflation.

[Bartoszcze] I think that it will come to that. The railroad workers have already won wage increases and soon the miners and textile workers—as well as the farmers—will be out in the streets demanding them. I believe they will be successful in their demands.

[Krawczyk] And do you not see a way that this can be averted?

[Bartoszcze] It is not enough to tell a pauperized society to pull itself up by its bootstraps. It must also be given the capital which it does not have at present. Immediate privatization must be implemented in order to enfranchise society economically.

[Krawczyk] But you claim that this society has no money to invest in anything.

[Bartoszcze] Then property must be given away, for it is society's property and not the property of the government or the state.

[Krawczyk] But does it not seem to you that rural Poland did not take advantage of the opportunity to take matters in hand when it showed itself quite indifferent to the elections in cooperatives?

[Bartoszcze] The law on cooperatives and elections in cooperatives has served only to exchange banners and personnel and not to restructure the system and the mode of operation of the state, and this, too, is one of the basic reasons for the peasant unrest. The peasants—even those peasants who would have good reason for accountings—do not want any more accountings. Meanwhile, they demand clear and understandable changes in the operation of the system, including subjecting the process of socialization of cooperatives to the law on restructuring property. For changing the name of the state and placing the crown on the eagle's head are still not transformations of the system which continues to preserve many old principles and structures.

[Krawczyk] Yours is a quite one-sided and convoluted assessment of the operation of parliament and the government. Some leaders of the PSL apparently do not

share this assessment. Last Saturday, Roman Jagielinski, chairman of the PSL's Main Committee, said that "we should not make political capital on the mistakes of the government which we are cocreating" for "this would also have an unfavorable impact on the operation of the state," and that "the stability of the government and the implementation of the basic directions of economic change lie within the common interest of the Poles at the present time."

[Bartoszcze] During the discussion, R. Jagielinski presented quite a unique point of view. The Supreme Council, which had a different opinion, passed a resolution which, broadly speaking, expressed a vote of no-confidence in the government.

[Krawczyk] It seems that a pretext like that in Mlawa was quite necessary to integrate and order ranks and to rally around a new leader.

[Bartoszcze] In politics it is facts which decide, and in Mlawa, unlike in Slupsk, the police were sent in against the peasants. These are not political methods.

[Krawczyk] But is a brand of terrorism, which is based on barricading international highways with tractors, a political method? The police were not advancing against the peasants; they aimed to unblock the important E-77 roadway.

[Bartoszcze] Even though I, myself, stood at the head of a strike at one time, I am not an advocate of "deciding matters in the streets" for that does not foster democratization. Nor does a show of force by the police against the peasants foster democratization. This cabinet will no longer inspire confidence even if it pays producers properly for milk.

[Krawczyk] But this cabinet is also your creation, as is the organ of the local state administration, not to mention the territorial self-governments which roughly reflect the state's political power structure.

[Bartoszcze] I believe that today this coalition is merely a facade and that it was real only once—at the moment of the election of the premier when everyone agreed on wanting the communists out.

[Krawczyk] Does this mean that the PSL is formally leaving the coalition and is becoming an opponent?

[Bartoszcze] For the present, our aim is for the government to give credibility and confirmation to the existence of the coalition. This should be expressed in the PSL's being granted coresponsibility for the fortunes of Poland at every level.

[Krawczyk] Do you not assume such coresponsibility at the present time?

[Bartoszcze] Absolutely not, for while the fact is that the peasants constitute about 40 percent of society, our representatives are systematically ignored when nominations are made, and thus they cannot win elections.

Therefore, they do not have much chance of obtaining important positions in the state and of participating in the government. Positions in the mass media are likewise filled one-sidedly, hence the many attacks on our party by television and the press which are subject to the citizens committees or T. Mazowiecki's people.

[Krawczyk] Apparently you feel that the PSL is already being squeezed out of this coalition.

[Bartoszcze] We will remain in the coalition on the condition that political equilibrium occurs to stabilize life in Poland. If it does not occur, we will undertake the normal political struggle that goes on in every civilized country and aim at the total assumption of the direction of the nation and the village.

[Krawczyk] It seems that you have already undertaken this game by lining up with several groups, including the SD [Democratic Party], the [Christian Democratic] Labor Party and the Christian-National Union.

[Bartoszcze] It is possible to make gains by aligning with any one of these, especially in the elections. The goals which link us to these parties, however, are not ideological but socioeconomic. These goals are founded upon joint ventures in the sphere of the food-producing economy.

Forum of the Democratic Right's Goals, Declaration, Signatories

90EP0757A Warsaw ZYCIE WARSZAWY in Polish
28 Jun 90 pp 1-2

[Article by correspondent (W): "The Forum of the Democratic Right Is Established: Stanislaw Stomma Says This Initiative Was Needed"]

[Text] The rise of a balanced rightist, conservative-liberal party based on Christian values is highly favorable to the evolving Polish political scene. This initiative was needed and has great chances for success, also because it was supported by authoritative political and economic personalities, declared Stanislaw Stomma at the founding meeting of the Forum of the Democratic Right at the Warsaw Center of the Pallotine Fathers on 27 June.

And, indeed, this initiative is being supported by major public figures, such as Tadeusz Syryjczyk, Michal Wojtczak, Henryk Wozniakowski, representatives of the Movement for Polish Politics, economic societies, chambers of commerce and industry, Civitas Academica and Academic League student unions, the "Ownership and Democracy" group, editors of TYGODNIK POWSZECHNY and ZNAK, and activists of citizens' committees and local sejmiks.

One purpose of the Forum of the Democratic Right is to formalize a grouping which could fill a blank spot on the Polish political map. Besides, the discussion of the name

of this movement has lasted long enough. The participants stressed that they feel particularly close to the Christian ethos and the social teachings of the Catholic Church. However, they decided to refrain from emphasizing this in the Forum's name, because, as one of the moderators stated, "We should not capitalize on and abuse the adjective 'Christian' in the Forum's full name, because religion and faith should not be exploited and the Church should not be entangled in the game of politics."

The ideological assumptions of the Forum can be summed up in the following five points:

- The Forum of the Democratic Right explicitly supports a law-governed state. Those present were of the opinion that the legislative process in Poland should be smooth and, at the same time, above board. This evolutionary form should not be violated and replaced with misrule of law even for the most lofty ends.
- In Poland the participation of citizens in public life should be promoted by, among other things, the formation of associations, economic chambers, and societies engaging in charitable work. In the opinion of the Forum's founders, the state should clearly delimit the scope of its activities. However, there exists the danger that the disappearance of the traditional "mentor" state may leave in its wake a certain void. That void should be filled with various forms of social self-organization, and the state should join in this process only when the society itself is incapable of coping with a particular problem.
- In public life the aim should be to reconcile civil liberties and the rights of man with the interests of the state. While the principle of civil freedom should be followed, at the same time anarchizing tendencies that negate rule of law and menace national security and domestic tranquility should be counteracted.
- As regards international relations, the Forum is in favor of Poland's opening to the world in the field of economics and politics. The Forum's participants voiced the opinion that this would not injure the interests of the state. On the contrary, they claimed, these interests would be harmed should such an opening not take place.
- The Forum has defined its techniques of action as a chain of evolutionary changes, because only these guarantee the formation of lasting institutions.

The participants in yesterday's meeting also included Minister Aleksander Hall. He declared, among other things:

"The conservative-liberal orientation is very close to me, but for the time being I, unfortunately, cannot join the Forum owing to my official position. Premier Mazowiecki has repeatedly emphasized that a strong political

representation ranging from a balanced Right to a moderate Left is needed for the good of Poland. The success of the Polish cause hinges on this issue.

The participants in yesterday's meeting did not form a closed and, in the nature of things, limited political party. The name "forum" is to suggest openness to diverse constituencies and groupings which identify themselves with the adopted draft program. The Forum of the Democratic Right intends to participate in the Movement for Democracy as an explicit orientation toward a mature democracy based on a market economy and rule of law.

Yesterday a consensual team of the Forum was also formed. The participants in the meeting expect to be soon represented in all the major cities of Poland.

Declaration

1. The changes recently occurring in Poland are prompting many constituencies deriving from the traditions of Solidarity and the democratic opposition to clearly define their political programs. Being desirous of participating in the formation of a new democratic alignment of groupings, we herewith resolve to establish the FORUM OF THE DEMOCRATIC RIGHT as a platform for the consensus and cooperation of conservative, liberal, and Christian-democratic constituencies.
2. The Forum of the Democratic Right will promote the materialization of the idea of a law-governed state. We support a state which, in accordance with the idea of assistiveness—confines its activities only to fields in which other institutions or citizens cannot replace it or act as effectively. The Polish economy should be based on the principle of a free market and respect for private ownership, which also prompts us to support the large-scale privatization of state property. We emphasize the need to safeguard civil liberties while at the same time respecting the authority of the state. Poland's opening to economic and political cooperation with other countries ensues nowadays, in our opinion, from a proper understanding of the national interest. The changes taking place in this country, so as to translate these principles into reality, should occur in conformity with law, in a manner not violating domestic stability and Poland's international credibility.
3. We support the orientation and mode of conduct of fundamental reforms by Premier Tadeusz Mazowiecki. Hence, we are also ready to support the formation of a broad Alliance for Democracy. Above all, though, we desire to build a mature political movement constituting a legible point of reference for public opinion, formulating its own program for systemic changes, and supporting the measures to translate these changes into reality. To this end, we are forming the Consensual Team of the Forum for the Democratic Right, to which we entrust the mission of consulting and reaching agreements with other political groupings and preparing the next meeting of the Forum.

Signatories

Mieczyslaw Andrzejewski, Bronislaw Babula, Andrzej Bak, Wieslaw Blumski, Marek Budzisz, Andrzej Burzynski, Jozef Buszman, Michal Chalonski, Ryszard Ciesielski, Piotr Ciompa, Lech Czarnecki, Wlodzimierz Dabkowski, Jerzy Dietl, Piotr Fogler, Marek Gadzala, Marek Gessel, Jaroslaw Gowin, Andrzej Grajewski, Krzysztof Grzywaczewski, Michal Jarczyński, Lech Jeziorny, Andrzej Kabat, Bartłomiej Kaczorowski, Mirosław Kolakowski, Robert Kostro, Marian Kowal, Michal Lubina, Wiesława Lewandowska-Lopuszynska, Rafal

Matyja, Andrzej Mikosz, Ferdynand Morski, Jan Piskorski, Maciej Ploskonka, Antoni Potocki, Szymon Rogalski, Michal Siuda, Piotr Skwiecinski, Robert Smoktunowicz, Stanislaw Stomma, Mirosław Styczen, Tadeusz Syryjczyk, Janusz Szewczuk, Adam Szostkiewicz, Cezary Szpila, Mariusz Tulinski, Kazimierz Michal Ujazdowski, Michal Wieczorek, Wojciech Wielopolski, Jerzy Wierzbicki, Michal Wojtczak, Tomasz Wolek, Krzysztof Woźniowski, Henryk Woźniakowski, Jerzy Wysocki, Igor Zachariasz, Pawel Zalewski, Piotr Zaremba, Pawel Ziolk, Stanislaw Zak.

Warsaw, 27 June 1990

POLAND

New Defense Minister Discusses Personal History, Opinions

90EP0774A Katowice *DZIENNIK ZACHODNI*
in Polish 27-29 Jul 90 p 3

[Interview with Vice Admiral Piotr Kolodziejczyk, minister of National Defense, by Lukasz Wyrzykowski; place and date not given: "One Commands With Brains, Not With a Brass Hat"]

[Text] [Wyrzykowski] You were 17 when you volunteered to perform your basic military service in the Navy. You were drawn to the military and the sea....

[Kolodziejczyk] Of course, that was romanticism on my part. At age six I saw the sea for the first time. I still see in my mind the devastated harbors, but I also see that azure-blue of the sea which has so captivated my soul. I believe that my family could not afford higher studies, while the Navy provided meals and uniforms, and besides, in the end, there was the lure of the sea. Toward the end of 1956 I had applied to the Higher Naval School. There were nine candidates for one post with eight examinations. I was qualified for the Deck Department. There was the hazing, the shearing of hair, the toughening school years, the midshipman cruise.

[Wyrzykowski] What did you gain and what did you lose during your 34 years of military service?

[Kolodziejczyk] I find it difficult to answer this question as my life in the military has not been balanced by life as a civilian. Still, I count myself among those darlings of fortune who, if allowed to turn back the clock and make a different choice, would make the same choice as before. It certainly is a hard life, because the sea dictates its laws and is ruthless, but it also is a colorful life; the measured routine of the deskbound official does not agree with me. Besides, there is my male vanity, the knowledge of having faced many difficult situations at sea. And another thing, the sea does not tolerate mendacity, bombast, or fraud.

[Wyrzykowski] You speak with such passion about the sea that this raises the question of why has Vice Admiral Kolodziejczyk crossed over to the land.

[Kolodziejczyk] In the Navy this parting with the sea begins with successive advancement in rank, when one ceases to captain a ship and is transferred to the headquarters office. Clearly, one still goes to sea now and then on particular missions, but that is no longer regular contact with the element. Besides, a military person always obeys orders. I was ordered to transfer to Warsaw and head the former Main Educational Directorate of the Polish Army. I long for the sea, and shall long for it, and always hope to find the time for a quick trip to the Coast. But I think that what I am doing at present is also needed and that I shall accomplish something in my position, the more so considering that I am not alone

and, although it is unfashionable to say it nowadays, I claim, since fashion and I part ways, that in the collective there is strength.

[Wyrzykowski] The two persons closest to you officially are your civilian deputy ministers.

[Kolodziejczyk] The point is not whether a person is a landlubber but what he can contribute intellectually.

[Wyrzykowski] But this is a new situation, a new structure. In your previous professional career, in the line of duty, you have had hardly any dealings with civilians.

[Kolodziejczyk] To me this is no big deal at all, because I know what the world is like. Besides, I have had an experience of a similar kind in the past. I used to command the Polish unit on Golan Heights and, as the commander, I maintained contacts with the United Nations command, which consisted of both the military and civilians. I think that when the structure of the Ministry of National Defense is discussed the Polish traditions also should be taken into consideration. The issue is open and should be resolved pragmatically.

[Wyrzykowski] Was your acceptance of the appointment to the post of defense minister also merely obeying an order? When, last January, General Florian Siwicki [former minister of national defense] reached 65 years of age, you had supposedly submitted your resignation, which was not accepted at the time by the premier, and unofficially, both at the Sejm and at the Ministry a new minister was being mentioned, your name came up most often.

[Kolodziejczyk] Rumors offstage most often deal with those who are absent, and so I don't know much about all that. It would be wrong if there had been only one candidate.

[Wyrzykowski] Then also there was the sensational visit paid last February by the Commander of the Navy Vice Admiral Piotr Kolodziejczyk to the Chairman of NSZZ [Independent Self-Governing Trade Union] Solidarity. After all, Lech Walesa is a mere corporal, and a general does not visit a corporal for trivial reasons.

[Kolodziejczyk] No connection. That was part of my official duties. The point was that dangerous things, inspired from outside, began to happen in the military. We are in favor of opening the military to outside structures so long as this does not impair what matters most, namely, discipline, immediate availability, and team spirit. The alternative is: either we have the military or we do not. There can be no intermediate states.

[Wyrzykowski] So then this means a certain closing of ranks.

[Kolodziejczyk] Specific to the military. Whoever resolves to join the service must be aware of the attendant limitations on freedom and rights. This awareness exists in people who join the monastic orders or seminaries too. On the other hand, nature abhors a vacuum

and the present professional military cadre lacks organizations of its own such as the prewar officer meetings. However, trade-union pluralism in the army would be just as disadvantageous as political pluralism [as published], and hence the draft decree on depoliticizing the army. These issues were the subject of my talks with Lech Walesa. As a former soldier, he understood my rationale.

[Wyrzykowski] There is an old saying: "If you want peace, get ready for war." Could you tell me whether Poland, which is so preoccupied with internal issues at present, might be facing any external threat?

[Kolodziejczyk] I could counter this by asking: What kind of country needs a weak army? The classical answer to the question, as regards the Swiss, is: "They have no army; they are the army." We are situated in the heart of Europe. Consider what is happening: the unification of Germany, the peril of disintegration of the Soviet Union...

[Wyrzykowski] The establishment of an autonomous republic of Russian Germans in Kaliningrad...

[Kolodziejczyk] Yes, all this sounds disheartening. We should rapidly explore an understanding and agreement, because the Germans are uniting whereas we are becoming increasingly divided. A third world war is hardly conceivable, and it is to be supposed that the collective security treaty will assure a lasting peace, but this does not mean that these matters should be left to run their course.

[Wyrzykowski] TYGODNIK SOLIDARNOSC has published extensive reportage on the condition of our weaponry. Generally speaking, it hardly inspires optimism. Someone has even declared that if the Germans invaded us today we would resist them for an even shorter time than we did in September 1939. What is the truth about the condition of the Polish Army? Of course, Mr. Minister, I realize that you cannot be quite frank with me.

[Kolodziejczyk] This is a complex issue. The usual saying is that the army is a self-contained entity, etc. Every army wraps up in an enigma a substantial part of its activities. That was, is, and shall ever be so. And as for equipment, we do not tell all, either when we report on our tanks, cannon, and other armaments. I can say that the state of our equipment is not as bad as certain columnists seem to think. Clearly and admittedly, we should have more tanks, planes, and ships, and that is no unwarranted wish.

[Wyrzykowski] That would not gain social acceptance. This was eloquently shown by the budget debate when the principal cuts proposed were in the Ministry of National Defense and the Ministry of Internal Affairs.

[Kolodziejczyk] This administration has no money. It is difficult everywhere. The Army's budget, too, is exceptionally modest and designed to merely help it survive. Some people accuse us of wasting these funds by not

buying new armaments. Well, in this case the army is like the average Polish family which spends most of its income just on food in order to survive.

[Wyrzykowski] Is the professional cadre in the military being vetted?

[Kolodziejczyk] Yes, it is already happening. Our restructuring is combined with reductions in force. We are trying to keep the best people.

[Wyrzykowski] Is this vetting political?

[Kolodziejczyk] No, we don't want to go back to old times when people were being discharged from the army owing to their beliefs or faith. At present we are trying to redress these injustices. It would be an idiocy to commit new injustices.

[Wyrzykowski] It is said that you are a transition minister. Your successor will be a civilian.

[Kolodziejczyk] I have no opinion about such reasoning. Let me add that, in certain Western countries, the binding criteria are that appointments to certain positions require not only military rank but also graduation from a military academy.

[Wyrzykowski] In your vita, made public on the occasion of your appointment as minister, I have not found any mention of completion of higher military studies in the USSR. You did not study there, or was this information left out?

[Kolodziejczyk] No, it is simply that my stay there was too short. I graduated from the Naval Academy in Leningrad, of which I have very good memories; I learned a lot there, and afterward I attended the General Staff Academy. I am not trying to keep secret the fact that I graduated from these academies, and anyway no one has ever offered me an appointment to West Point, and that is natural. Such is my biography. In performing my duties I have always tried to guide myself by common sense rather than by opportunism.

[Wyrzykowski] It is claimed that in 1980 during the "Shield '80" [Warsaw Pact] Maneuvers you refused to let Soviet warships dock in the Tri-City [Gdynia-Gdansk-Sopot]. Is that still a secret?

[Kolodziejczyk] No, it is no secret. I was asked about it by a member of the Sejm's Committee for National Defense. At the time I had not wanted to discuss the matter because it might smack to some of opportunism, of the wish to gain extra popularity. Generally speaking, the Navy, like all the armed forces, must stand watch over the "home country." If there are internal quarrels at home, beware outsiders who might want to interfere. That exactly is why the Navy had kept watch over the Bight of Gdansk, and along the entire Polish Seacoast, so as to avoid any surprises. Such were the facts, and I don't want them linked to any speculations. For there is nothing worse than neighbors who arrive to reconcile the squabbling domestic parties.

[Wyrzykowski] When in 1956 you had volunteered for the military, perhaps believing that you were carrying a marshal's baton in your knapsack, could you have imagined that 34 years later you would be minister of national defense?

[Kolodziejczyk] No. Even as late as a week before my appointment this had not yet dawned on me.

[Wyrzykowski] Will the minister become an admiral?

[Kolodziejczyk] That is another legend. Some people say that we cannot have a full admiral in Poland because we lack a cruiser. Anyhow, at the risk of sounding a bit ostentatious, let me say that it is brains, not gold stripes, that make one a leader.

[Wyrzykowski] That is your motto.

[Kolodziejczyk] Let the facts speak for themselves.

CZECHOSLOVAKIA

Foreign Trade Relations Law Criticized

90CH0267F Prague SVET HOSPODARSTVI in Czech
30 May 90 p 1

[Article by Stanislav Stuna: "Regulation of Economic Contacts With Foreign Countries: Very Moderate Progress Within the Confines of the Law"]

[Text] Within the framework of a "package" of economic laws, the Federal Assembly also adopted an amendment to Law No. 42/1980 Sb [Collection of Laws] regarding economic contacts with foreign countries. This is already the second amendment of this law; the first was accomplished by Law No. 102/1988 Sb. How is the current amendment to be characterized? As "modest progress within the confines of the law" or as "so the lion could eat his fill, but the goat would live"? I do not know—this will come clear as a result of the practices of the Ministry of Foreign Trade.

Primarily, the amendment did not overcome the fundamental duality of the position of the Ministry of Foreign Trade as the largest operator of foreign trade activity and, at the same time, as a central organ of the state administration which, in a market economy, should orient itself toward assuring fair competition among all entrepreneurs in foreign trade and upon the protecting public interests. These two faces of the Federal Ministry of Foreign Trade—the face of the strongest entrepreneur and at the same time the face of an organ of state administration which establishes the legal conditions for the area of foreign trade—cannot hold their own in a market economy. Foreign trade activity cannot be part of the "jurisdiction" of the Federal Ministry of Foreign Trade, its "economic branch." It must become part of entrepreneurial activity on the part of legally independent and equal market entities which make decisions regarding their entrepreneurial aims and at the same time bear the consequences of their decisions.

The amendment permits not only all legal entities, but also individual entrepreneurs, to engage in foreign trade. This is undoubtedly progress. In all cases, however, the Federal Ministry of Foreign Trade has reserved unto itself the direct decision as to who will engage in foreign trade activity and who shall not. In contrast to the existing amendment, it is not necessary, in all cases, to request permission from the Federal Ministry of Foreign Trade because sometimes registration with the Ministry is sufficient. Only a person entered in the register of enterprises may register in this way. Registration is sufficient primarily for the importation of goods for the enterprises' own production or for the export of its own products, as well as for some additional foreign trade activities, with the exception of brokering the work activities of our citizens abroad and of foreigners in our country. Under conditions stipulated in the law, the Federal Ministry of Foreign Trade can reject a registration, it can rescind it or change it.

In the remaining cases, it is necessary to have permission from the Federal Ministry of Foreign Trade to engage in foreign trade activity under essentially existing conditions. Even here, however, it is permitted that even individual entrepreneurs may request issuance of a permit.

For new applicants for registration or a permit to engage in foreign trade activities, the amendment introduces the obligation of paying a security of Kcs20,000 for individuals and Kcs100,000 for a legal entity. The purpose of this measure, which discriminates between new entrepreneurs and existing ones, is somewhat murky to the extent that it is not an actual attempt to effect prior intimidation with respect to any possible neophytes interested in conducting foreign trade activities. It is, after all, not any kind of reserve payment to cover any possible property losses which could threaten the Federal Ministry of Foreign Trade, since the entrepreneur bears the entrepreneurial risk alone and the Federal Ministry is not responsible for his obligations. As is clear from the adjustments in the amendment, it is some kind of prepaid fine which the Federal Ministry of Foreign Trade can, in agreement with the Federal Ministry of Finance, levy upon the entrepreneur by making him forfeit a part or the entire security deposit. In addition to other reasons for the forfeiture, the amendment states a case in which the operator "repeatedly or seriously threatens the good reputation of Czechoslovak entrepreneurs, and possibly of other Czechoslovak entities engaged in economic activities in relationship with foreign countries." In other words, a formulation which is sufficiently general as to permit even a highly subjective approach in making such a decision. Moreover, the amendment does not adjust the processing side of such a decision, beginning with the appropriateness of the decision and ending with the possibilities of appeal.

If we add to this the formerly demanding conditions for applying for registration as well as for a permit, there will be plenty of officiating surrounding foreign trade activity. The amendment evinces careful concern regarding the qualifications of the entrepreneur, but overlooks the qualifications of the deciding official. A person requesting a permit must prove "that conditions for the proper and economically efficient and rational execution of foreign trade activity exist and that he will have at his disposal a sufficient quantity of foreign exchange to cover any legal consequences resulting from a possible violation of his obligations toward foreign individuals."

It must be noted that entrepreneurs who do not fulfill these conditions are punishing themselves and not the Federal Ministry of Foreign Trade. Competition in foreign trade is tough and each of the partners pays for his shortcomings himself. The attempt by the Federal Ministry of Foreign Trade to protect a far more experienced foreign entrepreneur from our foreign trade entrepreneurs is somewhat unnecessary.

The Federal Ministry of Foreign Trade is very concerned that our entrepreneurs should not shame us abroad. However, it should consider that any shame will no longer fall upon its head as has been the case hitherto when it was the monopoly operator of foreign trade.

Let the foreign partners choose for themselves with whom they wish to do business; it is hard to imagine that they would select dilettantes when they have the opportunity of doing business with our foreign trade enterprises. From the entire amendment, it is clear that only the Federal Ministry of Foreign Trade understands foreign trade. Of what is it afraid then?

The amendment is a source of puzzlement. The Federal Ministry of Foreign Trade will direct and control foreign trade activities in accordance with implementing regulations (Section 12), as heretofore. At the same time, the foreign trade enterprises are preserved and their general directors will again be directly appointed and recalled by the minister of foreign trade. Will such a minister be able to be impartial with respect to the competition and will he be universally supporting it? If so, I shall doff my hat. The pillars of monopoly are undermined, but continue to exist.

Risks of Economic Reform Analyzed

*90CH0318B Prague HOSPODARSKE NOVINY
in Slovak 11 Jul 90 pp 6-7*

[Article by Eng. Eduard Mikelka, candidate for Doctor of Science, Economic Institute of the Slovak Academy of Sciences: "A Risky Operation"]

[Text] Current economic policies aimed at a transition from our centrally-planned economy to a market economy are implemented under circumstances where governmental planners of economic reforms are conspicuously unable to communicate with the enterprise sphere and professional economists in general. The most radical reformers are represented mostly by economists who have not studied advanced market economies systematically and comprehensively. The labor market, the capital market, and so on, are mentioned with the same enthusiasm as the metallurgical and engineering complex used to be 40 years ago when it was nationalized and built up. At that time every ordinary commercial engineer knew full well how silly that undertaking was. Today we hear similar authoritative lessons about our radical and speedy transition to a market economy. One scholastic, textbook approach follows another. However, it is a fact that thus far no country in East Europe has made a successful transition from a centrally-planned economy to a market economy. Therefore, one cannot agree with plans to achieve such a transition in a radical and speedy way; on the contrary, it must be most of all thoroughly and prudently planned.

While the program for our transition to a market economy is being formulated, the idea of a modern market differs considerably from ideas of a classical market which was a market *ex post* and the modern

market is a market *ex ante*. Supply-demand relations among economic entities in a modern market (with minor exceptions) are interconnected in a gigantic spider's web. Thorough study of those economic subjects pinpoints the development of consumption and production in specific market sectors and points out the direction for an innovation strategy. This intensifies the systematic process of economic renewal not only in individual countries but by the mediation of transnational corporations on a world-wide economic scale.

There Is No Coordination of Steps

I believe that the concept of radical economic reforms involves many risks and has not been sufficiently thought through. The planned price reform, now already in its second stage, appears to be particularly hazardous. Furthermore, its impact on the whole project should be quantified *ex ante* and not *ex post*.

The Economic Institute of the Slovak Academy of Sciences proposed a process by stages which seems more reasonable. It consists of three steps. All planning operations, which should be done in stage A, include legislative measures to ensure the requirements of institutional ownership as well as measures of economic policies to promote economic growth and balance, and furthermore, specifications of a new system of centrally-managed general conditions for market operations and the central authorities' role in structural policies. The objective in this stage must be comprehensive consolidation of the enterprise sphere and above all, conclusion of the highest possible number of agreements on cooperation and of agreements on joint ventures with foreign capital.

Only then may stage B in the reform be launched. Its objective would be to implement the fundamental requirements for market operations with an emphasis on price reforms and on the opening of our economy to foreign countries. We may expect a single wave of inflation for which social policies must be planned in advance. In the area of substantive economic processes, our economy is beginning to adapt to the conditions of the world economy. Structural changes will generate economic and social problems, on the one hand, and on the other, they will have beneficial effects on economic efficiency. Especially significant may be—and stage A must plan for this as much as possible—implementation of various forms of cooperation with foreign capital. In a well-functioning market, there is no need to fear some credit assistance from international organizations.

Structural changes will continue in stage C, but this is a large-scale structural maneuver connected with new systemic conditions. Beneficial results of structural changes and the adaptation of the exchange rate to par value of currency should considerably soften inflation during this stage. The success of the reform will depend to a great extent on our achievements in stage B—and especially in

stage C—of our fight against the inflation-causing factors with measures aimed at lower production costs or higher labor productivity.

It has been repeatedly emphasized that the Czechoslovak economy has entered 1990 and the process of reform in a relatively good shape—especially as compared with other CEMA countries—with relatively low foreign debt, low inflation, and a relatively stable market of food and consumer goods. Therefore, it is extremely important that we maintain our economic stability as a valuable precondition for successful economic reforms and that we begin all interventions in our economy only after thorough planning and with prudence. The success of reform policies depends on their coordination, mutual harmony and thorough planning so that there is no inconsistency among them. Some measures of our federal government, however, have not met this precondition; their economic impact is disadvantageous because their actual consequences have not been considered well in advance. I shall mention some of them:

- The far-reaching amnesty by the president of the Republic produced dismal economic consequences; it was implemented in such a short time that enterprises were unable to mitigate the shock caused by the exodus of their workers.
- Of unusual importance was the decision of our government to convert our military industry. That was a jolt for more than one hundred enterprises with several hundred thousands of employees. The fact that it did not involve a gradual change of production in individual enterprises over time hinders those enterprises from achieving conversion on their own.
- Serious consequences for our economy stem from the change of the exchange rate of the Kcs vis-a-vis foreign currencies. With the current imbalance in the commodities market, enterprises may use the consequences of the devaluation as powerful inflationary pressure. In addition, devaluation reduced imports, which resulted in subsequent cuts in production.
- Similar consequences follow the devaluation of the tourist exchange rate vis-a-vis convertible currencies in conjunction with our domestic price level. It aggravated the already dismal situation where the ratio of our prices to Western currencies contributed to an extensive imbalance in our domestic market.
- An inaccurate projection includes a high estimate of exports to countries with an advanced market economy, on the one hand, and on the other, a low estimate of the economic significance of the current situation in the USSR and other CEMA countries. Approaches which directly or indirectly demand that we abandon that territory are wrong. It would be a great mistake if we give up comparative advantages stemming from our economic relations with that territory at a time when many advanced economies are setting up programs to gain such positions.
- It would be a serious mistake not to have precisely determined policies, regulations, and directives for

exchanges of managers of enterprises and organizations, as was the case during the arbitrary developments earlier this year. That impaired the morale of labor and markedly weakened the efficiency of the managing structures.

- The most glaring and far-reaching mistake in the process thus far, however, has been the state budget for 1990. Because the strategy of radical economic reforms characterizes it as a step in the right direction, I shall analyze this problem in a greater detail.

The Danger of Economic Retardation

The stated objectives of our state budget for 1990 are aimed at the following:

- Postinflation effects of cost-cutting and thus, reduction of the growth of economic demand generated by the budget
- Transformation in the direction toward a market economy by restrictions on processes of redistribution.
- Planning of a surplus budget for the purpose of covering alleged shortfalls in the state budget in the 1986-89 period.

As compared to 1989, the income side of the budget demonstrates no substantive differences. On the other hand, the costs side shows rather obvious changes.

The surplus of the state budget for 1990—along with governmental credits of Kcs4,49 billion which appears on the costs side—amounts to Kcs10.01 billion.

The state budget may affect our economic development in a stimulating, neutral, or retardant way. In my view, the above-mentioned concept of budgetary policies, which will be continued in following years, includes dangerous retarding effects on the process of economic renewal. Moreover, it may produce completely opposite results than those stated as its objectives.

The problem of inflation in the Czechoslovak economy does not proceed primarily or essentially from the budgetary policies of previous years. There is no doubt that a danger of accelerated inflation is imminent in the transition to market mechanisms and restrictions on central planning in a situation of a marked deficit economy. Market forces cannot be effectively counterbalanced due to a predominance of supplier markets. Manufacturers' monopolies and scarce competition enable them to improve their own position by charging unfairly high prices. So long as the consumers are dependent on them and cannot influence pricing, the Federal Price Bureau with its information base and authority will not stop the prices from escalating. Nevertheless, it is evident that the state budget has no authority over inflationary price increases in our domestic economy.

Another inflationary stimulus may be the fact that wages are increasing faster than the growth of labor productivity and the growth of national income. This danger

objectively exists particularly due to the very slow economic growth of the gross and consumed national income, which is under consideration (1.6 to 1.8 percent in constant prices).

Recently an opening to foreign countries was prematurely realized. In a situation where the ratio of Czechoslovak prices to Western currencies has offered an opportunity to upset our domestic balance, there is first a shortage, i.e., delayed inflation, and then open inflation.

Another source of inflation may be an excess of investments. In terms of their inflationary effect on then Czechoslovak economy the alleged (but thus far unpublished) deficits of our state budget for the 1986-1989 period are negligible. Cumulative deficits of state budgets in advanced market economies are currently higher by an order of about 50 percent of gross domestic product and yet they do not cause inflation. For that reason I consider it ineffective, irrelevant, and inadequate to fight against inflation with a surplus state budget. Quite on the contrary, the results and effects of a restricted state budget may and probably will produce exactly opposite—i.e., inflationary—effects mainly because even excessive cuts of subsidies paid to state enterprises and to JRD's [unified agricultural cooperatives] will not have a negative impact on their development or on the growth of their production. This in turn will have a negative effect on their ability to pay (to contribute) to the state budget; in other words, it will reduce income from taxes paid to the state budget.

Furthermore, in many instances the subsidies paid to manufacturing enterprises and JRD's only compensate the existing unfair prejudicial pricing of certain types of goods. Such subsidies frequently represent only compensation for distorted cost accounting in view of the given (unrealistic) prices, just as conversely, with regards to these (unrealistic) prices it is wrong and unrealistic to compare high efficiency of other enterprises or branches of production (which do not need any subsidies).

It is obvious that subsidies must be eliminated if we intend to establish a price system that will facilitate rational calculations and rational economic decision-making. However, a relatively isolated step cannot do that and in particular, it is not possible to proceed as if there were a market which could absorb, or remove, the consequences of elimination of subsidies. Cancellation of subsidies can never be regarded as an "economic reform." Elimination of subsidies must be part of a comprehensive and consistently interrelated concept for the transition to a market economy in the corresponding stage of our economic reform.

Subsidies to state enterprises and JRD's in 1990 should remain on the 1989 level. This extent of adaptation will be bearable and help improve efficiency without forcing enterprises to compensate with higher prices for lower subsidies. The Federal Price Bureau may supervise such a price moratorium.

Analogically, outlays for science and research should not be cut in the R&D era in the world. Such costs represent 0.8 percent of our gross domestic product; with the costs of the enterprise sphere (which certainly will be lower than expenditures of budgetary organizations) and costs of institutes of higher education (where these programs are secondary to the curriculum) they may be estimated at 1.5 percent. Here the R&D base of the budget represents a potential which is the most competent and best able to introduce achievements of world R&D advances into our domestic economy. In advanced market economies such expenditures represent today 2.0 to 2.5 percent of their gross domestic product.

These adjustments will change the state budget from a surplus one to one that is approximately balanced—if we exclude the above-mentioned governmental credits from the cost side.

To create favorable conditions for the implementation of our economic reform our first and foremost priority must be the intensification of the rate of economic growth.

In the 1980's, advanced market economies followed this direction. They focused their budgetary policies above all on availing themselves of the advantageous stimulating effect of economic growth by reducing tax rates, which produced a higher rate of growth and ensured higher real revenues for the budget than previous (higher) tax encumbrances.

In the 1979-1989 period the average annual rate of growth of per capita gross national product represented two percent, of consumed national income only one percent, and of personal consumption 1.1 percent. Recently, in the 1986-1988 period, the annual rate of growth of per capita consumed national income rose to three percent.

Security of Active Adaptation

Disposable personal income (income after taxes) in the 1980's followed the annual rate of growth of up to three percent. However, total disposable income increased to Kcs52.5 billion, of which about Kcs30 billion were absorbed by higher prices.

In that situation it would be appropriate to try to selectively increase the rate of economic growth, and furthermore, above all to intensify the amounts of exports and imports as much as possible while maintaining a balance of payments. An especially-marked growth of imports, and thus, higher shares of imports in national income and gross national product, may more than any other measures in our domestic economy contribute to demonopolization and enhance the effect of a competitive environment. In small developed European market economies the share of imports in their commodities markets represents more than 50 percent, and 80 to 90 percent of investment commodities.

A similar situation may be achieved in certain groups of commodities in the Czechoslovak economy in a few years. In the long run, during our transition to a market economy, such an effective adaptation seems considerably safer, more efficient, and advantageous for the implementation of the strategy of economic policies than budgetary restrictions and forced dismantling of the existing structures of enterprises. In small developed European market economies the high share of imports and exports in their gross national product (in the range from 40 to 70 percent)—as compared with the CSFR (roughly 20 percent)—and internationalization of their economy ensure a competitive environment for their national economy.

In the initial stage of reforms during the transition from the centrally-planned economy to a market economy, our state budget should serve above all as safeguard and support. Autonomous maneuvers on the side of expenditures can neither prevent inflation (just the opposite is true) nor facilitate the transformation into a market economy.

Restrictions on the state budget is not an automatic weapon against inflation. If anti-inflation measures should succeed, they must be aimed primarily at increasing the supply, i.e., at higher rates of a selective economic growth.

The justification of the above-stated critical comments is confirmed by the to-date development of the Czechoslovak economy in the first quarter of 1990. Our industrial production is down 3.8 percent and production in construction has dropped 6.4 percent. On the other hand, in January and February the wages in industry were up 4.7 percent and in construction 6.4 percent. This is the worst trend with all its negative consequences. The potential for tax revenues for the state budget declined. Due to an inertia in the development of wages and their limited flexibility in reducing the growth rate of production, an inflation gap occurs (i.e., higher rate of growth of inflation).

Close Cooperation Is Needed

I should like to offer additional comments on the concept of a strategy for a radical economic reform.

Our main macroeconomic priority will be an effort to block the process of inflation; all other macroeconomic objectives—be it economic growth, employment, or balance of payments—are secondary to that. The primary mechanism of the central authorities for macroeconomic regulation should be financial and monetary policy.

In this concept, economic reform is narrowed down to only a macroeconomic change—a change in the rules of the game for economic entities. Outside the range of plans and analyses are several potential changes on the microeconomic level.

The economic reform cannot be planned and implemented without close cooperation and collaboration of

the central authorities and the enterprises. An essential preliminary condition calls for comprehensive consolidation of the enterprises so that they may adjust to the new economic conditions.

State ownership dominates the Czechoslovak economy. In theory, there are three methods of denationalization of assets—partnership with foreign capital, various forms of using personal savings, and cost-free stock transfer to state enterprise employees or to citizens. Any cost-free stock transfer is the same nonsense as nationalization. If we consider that the value of capital assets in the CSFR exceeds Kcs3 trillion and that personal savings represent Kcs330 billion, this form of privatization is unrealistic.

The most realistic method of privatization is partnership with foreign capital. It may go hand in hand with a number of advantages—effective methods of management, modernization of the active component of capital assets and above all, the speediest possible modernization of production. The key problem here is the motivation of foreign partners. They are not interested in competing through our mediation in Western markets which they have already cornered. However, they may be interested in expanding through our mediation their production and sphere of influence by exports to the markets of the CEMA countries and especially of the USSR, or by gaining a share in those markets.

At present, foreign capital holds the main key to modernization and restructuring of Czechoslovak economy. Without its participation, cooperation, joint ventures, and other forms of collaboration, we cannot expedite the process of modernization, restructuring and efficiency. Furthermore, most member countries of OECD generally guarantee equal rights to domestic and foreign investors, although every country makes preferential exceptions (especially selected sectors of processing industries) or imposes restrictions (particularly when it concerns natural resources, land, and selected sectors of infrastructure). The state guarantees protection of property; in case of expropriation, it must ensure full and tax-free compensation. Transfers of profits, dividends, interest, etc., are not restricted in any way.

A market economy requires healthy competition; however, in our country there is practically no competition to speak of. Therefore, only gradual progress and not radical steps can develop our market economy. Because there is no competition, we must be extremely cautious about mechanical application of the rules of competitive markets. Market mechanisms should be decontrolled without undue haste. Traditional mechanisms may complement the invisible hand of the market.

The key problem is posed by prices which should be tackled in various stages. First, markets where balanced prices are already operating should be identified; their operation may be ensured without any problems. Thus, we should gradually progress from administrative prices to supply and demand prices, or to contractual prices.

There are illusions that we may obtain rational prices through administrative adjustments of price relations. However, price relations are a sovereign domain of the market. Therefore, liberalization of prices goes again hand in hand with actual rates of exchange and requires demonopolization and above all, our efficient and effective opening to the world.

The strategy of radical economic reform plans expeditious administrative price corrections in the nearest future. As mentioned above, this is an unwarranted, risky step which does not foresee, consider, and quantify the consequences of such acts for the enterprise sphere and for our citizens. Moreover, it is evident that it will lower our living standard and depreciate personal savings; when the reform is planned, our citizens should not be regarded as a residual quantity.

As we must live with foreign debt, so we must also live for a sensibly limited period with a negative sales tax and with subsidies. Price stability, with all its shortcomings, is advantageous from the citizens' point of view, especially when it concerns food and goods of daily consumption. It is therefore unfair and wrong to upset it overnight in order to implement far-reaching concepts for the transition to another economic system.

I am afraid that the implementation of an "integrated comprehensive package" of radical economic reforms will, before the end of this year, bring the Czechoslovak economy to a situation similar to the situation of the Polish economy in the early 1980's. Its strategy lacks a hierarchy of socioeconomic priorities.

After the so-called government of national understanding took over, the situation of the Czechoslovak economy became much worse than before. Therefore, initially relatively-auspicious economic conditions for implementation of economic reforms have gradually disappeared. However, the concept of an economic reform should not be a matter of concern for a close circle of individuals but rather reflect a consensus of a decisive part of our expert economists.

Law on Enterprise Criticized

90CH0267D Prague OBCHODNI LISTY in Czech
23 May 90 pp 1, 4

[Article by Ivan Stern: "More on the Enterprise Law"]

[Text] The approved law on enterprises is, as it would seem, either the result of illusion on the part of theoreticians regarding the rationality of the so-called center or it is the result of the influence of the constitutional lobby. Either way, it creates unprecedented room not only for making the existence of the state administration more difficult, but also for its continuous growth.

The law, as it is constituted, is, essentially, antieconomic. According to the law, the "owner" of a state enterprise becomes an economically unattachable institution of the state administration, represented by administrative

employees whose existence is not connected, and cannot even be connected, with the fate of the enterprise. The institution is the owner at the official level, but is not the owner in the economic sense of the word. And, therefore, the fear that the conduct of the representatives of the state administration entity will frequently be irrational according to the economic viewpoint, motivated by loyalty toward the institution which employs them and would be a minimal expression of professional competence in the direction of the optimum economic development of the enterprise involved, is not unfounded. The law itself creates the unnecessarily great risk of economic destabilization of the organization, in other words, even resulting in a concomitantly higher risk of social insecurity for its employees. Not even the form of self-administration need be the optimum solution for sure. Nevertheless, it could have been mentioned in the law as one of the possible and completely realistic variations.

The director of an enterprise must be not only the carrier of decisionmaking authority, but must also be fully aware of his responsibilities for his decisions, primarily toward the enterprise. Nothing short of entrepreneurial success of the organization which he directs can be the criterion here. It is, therefore, necessary to figure that the existing situation will force him to present his "success" by an orientation toward measurable indicators, in other words, toward short-term goals such as the absolute growth of profits, etc. However, he will not be expressly motivated to accentuate the key area which is, as a rule, ungraspable from the standpoint of the founder, that is to say, the area of strategic decisions. It is known that many strategic decisions such as, for example, the change in the structure of activities, the orientation of disposable capital in a new long-term direction, are accompanied by a modicum of growth in the difficulty of investment, by a decline in output regarding traditional activities, and, thus, also by transitory declines in the measure of profit, frequently even by its absolute decline. Thus, the organization not only enters upon the territory of an express entrepreneurial risk, but can, simultaneously, appear to be an organization in decline on the basis of its immediate manifestations. In addition to the natural entrepreneurial risk, additional risks also arise, caused by the influence of an external factor which has nothing in common with the organization economically and stems only from the power of the law (see Paragraph 22, "The founder may, for purposes of discussion within the council, decide on merging, amalgamating, dividing, or eliminating an enterprise," "if the enterprise (...) is not capable of creating the obligatory enterprise funds at the stipulated level..."). If we add the wholly realistic possibility of the establishment of interpersonal relationships between representatives of the founder and the director of the enterprise, relationships which need not necessarily arise on a professional basis, the way is prepared for the unnecessary destruction of the enterprise.

It is understandable that the law was, in part, constituted on the basis of certainly theoretically correct premises

that the form of democratic decisionmaking, in the manner in which the overthrown Communist regime attempted to enforce it without concomitantly trying to solve the question of ownership, is not only anti-democratic in the area of the economy, but can also be expressly harmful. Optimum economic decisions should be made by the person who is primarily professionally competent. This competence is not acquired either as a result of a declaration of confidence on the part of the employees of the enterprise nor on the basis of an administrative act undertaken by the founder. From that quarter, he only acquires the right to make decisions. Be that as it may, the selection of a professionally competent person is definitely considered with more care by one who is existentially connected with the fate and long-range prospects of the enterprise than by a person who is authorized to make the selection merely by law.

The oversight council, as it is conceptualized in the law, will be just the same kind of stillborn child as were the existing councils of the working collective. In principle, it is not equipped with any kind of authorities, its positions are facultative in character, and there is even no guarantee, apart from the portion created from the enterprise collective, that it will be able to judge the activities of the enterprise and the resulting responsibilities of the director at an adequately professional level and with dedication, in view of local specifics.

Therefore, we will need to create an enterprise climate in which the founder would run into marked opposition by the employees that garnered substantial expressions of solidarity by sister enterprises, if he were to make economically unjustified decisions with respect to the executive officer or to the future of the enterprise and, especially, if there were indications that his decision was based on considerations other than economic.

However, to avoid unnecessary frictions, we should demand that the founder, in his own interest, consult with the basic trade union organization of the appropriate enterprise and with the trade union in general regarding all of his decisions. In the event of disagreement, however, we will be left with no choice but to reserve the right, together with the given basic trade union organization, to undertake appropriate steps (not excluding a suitable form of striking).

Issuance of Nonnegotiable Commercial Instruments Viewed

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(supplement) in Czech 11 Jul 90 1, 4*

[Article by Eng. Dusan Libnar, Federal Ministry of Finances: "About Obligation in Practical Terms"]

[Text] The principles for experimental uses of commercial instruments approved by the CSFR Government (published in FINANCNI ZPRAVODAJ No. 1/1990) offer our economic organizations an opportunity to obtain sources of credits from the population as well as

from other organizations. This is one of the significant first steps toward the establishment of a financial market.

Enterprises and cooperatives are rapidly beginning to avail themselves of the opportunity to issue commercial instruments. Nearly one hundred applications for the issuance of commercial instruments in total value of less than Kcs3 billion were approved in the first three months. However, Kcs2 billion of that amount are instruments of commercial banks, and thus, about Kcs1 billion are commercial instruments of enterprises and the average value of an issue is about Kcs10 million. Thus, these issues are relatively small. Roughly one-fifth of the applications have not been approved or were returned for further revision.

Commercial instruments issued in their owner's name with a rider about their nonnegotiability predominate among the commercial instruments of enterprises approved to date. They are designated exclusively for the employees of those organizations, or in some instances, also for their retired employees. They are less important for the creation of a financial market than fully negotiable certificates. Furthermore, for the time being their sole purpose is to utilize personal savings. Only a few enterprises are considering sale of such instruments to other organizations.

Nevertheless, issuance of these nonnegotiable instruments of enterprises may be regarded as an important start for the operation of a financial market. Our public is thus getting acquainted with stocks and their management. Last but not least, they are a factor that helps consolidate personal savings and encourage their accumulation. It may be expected that a need to issue negotiable certificates will gradually become evident and that major enterprises will solve their higher investment plans by issuing such instruments.

Organizations are prompted to issue nonnegotiable instruments in a name because their technical production is simple and the possibility that they may be misused or counterfeited is slight.

A decisive stimulus for the issuance of these so-called employee instruments, however, is the effort to unite interests of the employees with interests of the organization. This way employees become creditors of their enterprise and share the same interest in economic achievements of the organization which safeguards the value of their certificates. Especially instruments whose yield, in addition to a fixed interest, is created also in accordance with realized profits may intensify such shared economic interests. The yield of such instruments goes only to the organization's own employees and therefore, some enterprises are more "magnanimous" in their approaches and offer their employees certain financial advantages as well.

A working team composed of the representatives of all three ministries of finances and of the Czechoslovak State Bank reviews applications for issuance of such

instruments, with special emphasis on the proven capacity of the applicant organization to repay issued certificates in specified terms and to pay the promised return on those instruments. At the central authority level, it is not possible to review every detail of the financial situation and long-term prospects of every organizations. Nevertheless, it is possible to estimate at least approximately how solid is the basis for each requested issuance and to reject applications of enterprises that are unprofitable, overly in debt, whose program is being phased out, etc, where it is obvious that issuance of these instruments could cause them even greater difficulties and where the interest of the owners of the instruments could be jeopardized. The point of departure is the fact that it would be a great mistake to endanger the development of the embryonic financial market by indiscriminately issued valueless instruments, which could seriously damage public trust.

However, by approving the issuance of such instruments the state does not guarantee that those instruments and their yields will be paid. That is a contractually approved credit relation between the issuing party (the debtor) and the owner of the instrument (creditor) which is voluntarily accepted on the basis of their needs, interests, and material conditions with the awareness of ensuing obligations and risks. For that reason, a relatively generous leeway is left to organizations in determining their conditions for the issuance of such instruments; in this respect, central authorities' directives are limited.

The central authorities determine above all the yield of the instruments. It is expected that here the relationship of supply and demand of money will gradually come into play and that even here credit policies of financial institutions will demonstrate their effect both in terms of interest on bank credits and interest on deposits and shares. Only proposals of extremely high returns that obviously have not been well calculated from the economic point of view will be adjusted so as not to impair conditions for realistic instruments issued by other organizations.

Yields of instruments approved thus far are in the range from six to 12 percent of the value of the instruments. Part of the above-mentioned yield usually goes for fixed interest and part for variable returns according to the development of profits. One must appreciate that most organizations prefer this combined form of yields from their instruments. The original objective here was to limit fixed interest to four percent but it appeared that such a limit was excessively low, especially in view of a higher interest rate by savings banks paid on premium savings deposits. In addition, unlike such deposits, the yield of these instruments is taxable personal income. For that reason, the limit is no longer imposed.

This question, or as the case may be, designation of another limit, as well as identification of the source from which the variable yield of these instruments would be covered, need to be determined definitely by the law on bonds.

As for the term of repayment of these instruments, most organizations specify two to five years, according to their particular conditions. Under the current conditions of organizations and according to their future development these terms may be regarded as appropriate.

Neither do the central authorities limit the extent of issuances requested by enterprises. However, it is obvious that some organizations have "big eyes" and overestimate potential sales of their instruments regardless of the fact that our public is not yet accustomed to this type of savings.

Among negative experiences from discussions about the issuance of these instruments has been above all the fact that not all organizations base their instruments on realistic economic considerations and calculations of benefits. We must not forget that such an instrument is an obligation that must be repaid and that the payment of the yield derived from these instruments will encumber the management and therefore, must be paid off; for that reason, it must be in proportion to the profitability of the organization in question. Issuance of these instruments cannot become a fad; it is exclusively a matter of rational economy.

Experimental issuance of instruments has already produced a number of suggestions for the draft of the law on bonds which should resolve problems not only of enterprise and bank obligations but also of state and municipal bonds. This law, which will be in force as of 1 January 1991, will end current experimental issuances of these instruments. In addition to that law, laws on securities and stock exchange operations are being drafted; the law on joint-stock companies is already in force and thus, our financial market is gradually acquiring its legal foundations.

POLAND

Drop Noted in Livestock, Dairy Production, Processing

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in Polish No 29, 22 Jul 90 p 5

[Article by Jan Malkowski: "Production Remains Impaired"]

[Text] As late as last year the performance of farming was still good. Crop output had increased by 2.8 percent compared with 1988 and there was a record grain harvest. This year's grain harvest will be, however, at least several percent lower, and, it is to be feared, next year it will be still worse.

The sales of artificial fertilizers in the period from July 1989 to May 1990 were about 30 percent lower, and between last January and May alone over 60 percent lower. The supply of pesticides for this year's harvest will be about 60 percent of last year's supply. The demand is low, because prices have increased from 10 to 50 times.

Seed enterprises prepared about 180,000 metric tons of graded seed grain, but only about 60,000 tons was sold to farmers. The sales of seed potatoes to farmers were only one-half of last year's volume.

The decline in fertilizer demand is particularly disturbing. This year this will chiefly affect regular pastureland, to which it is less economical to apply fertilizers in view of the unprofitability of cattle raising. Next year this will probably also affect grain if farmers view the grain procurement prices as too low compared to fertilizer prices.

Livestock Raising

Last year the overall livestock output remained at last year's level. This unexpectedly good result was due to the increase in milk output and cattle population, which compensated for the slight decline in meat output. The level of livestock output at present is difficult to estimate, but of a certainty it is going to decline, though not as much as may have seemed late last year and early this year. The decline will chiefly occur in meat output, and next year also in milk output.

During the first quarter of the year the supply of livestock on hoof was about 15 percent lower than last year. For the second quarter the drop in supply will presumably be greater, and this trend will persist in the third quarter. To be sure, subsequently the decline in meat production will gradually disappear, but in absolute figures this production will be lower and lower. Until mid-1991 the prices of meat, particularly pork, will rather slowly increase, although they and the supply of meat may be greatly affected by the decline in meat consumption by the rural population.

In mid-1990 the hog population will probably remain the same as last year, but in mid-1991 it should be much higher, if the potato harvest this year will indeed remain at the same level as last year (for the time being it looks like this).

For some time now, as in the late summer and early fall last year, hog raising has been the most profitable orientation of livestock production. In the first quarter of this year the procurement price per one kilogram of hogs on hoof on the free market was greater by a factor of more than eight than the price of one kilogram of rye, whereas a year earlier it was greater by only a factor of six. Last May the hogs-rye price ratio was 13:1 and varied about twice as much as in May of the previous year. This has recently resulted in some revival of the piglet market, as reflected in the jump of piglet prices.

In my opinion, the current great profitability of hog raising is not ephemeral and will result in an increase in the hog population. An additional factor encouraging farmers in that direction, especially those with medium and small farms, is the extremely low profitability of cattle raising. This is at present the most serious problem of farming.

Cattle accounts for about 30 percent of marketed farm commodities. Cattle raising is also a major factor in the utilization of permanent farmland and, by using manure as a fertilizer, also cropland. The current crisis situation in cattle raising and meat production cannot be tolerated in the hope that it will be resolved by the market itself, and indeed it is not. The subsidies granted for milk consumption reflect the [government's] understanding of this situation and desire to help farmers. But the help given so far is proving insufficient, because it merely alleviates the crisis without resolving it.

The Dairy Crisis...

...concerns the production of both meat and milk, and its causes are complex. This is a question of not just a relative overproduction, due to the decline in incomes and demand, but also of the deformed price ratios in the past, due to the previous system of subsidizing and rationing meat consumption.

The consumption of milk and dairy products was the most subsidized and, unlike meat consumption, not rationed. For example, the retail price of whole milk was only a fraction of its procurement price. As a result, the consumption of milk and dairy products in Poland was higher than in the other European countries, with the exception of Denmark, Switzerland, and Holland. But meat consumption was about 10 to 20 kg lower [per capita, annually] than in a majority of the European countries.

Now that prices are determined by the market, it turns out that price ratios and consumer preferences are different. Meat is relatively more popular with consumers than dairy products, especially yellow and white cheeses; as a result, the decline in the demand for dairy products has been greater than the decline in the demand for meat.

The crisis in dairy production and cattle raising has been sharp from the outset, because, unlike meat output, milk output did not decrease and even increased by as much as five percent. The nadir of this crisis will probably be reached this summer, when milk supply will be about 30 to 40 percent greater than last winter. Therefore, in my opinion, a resolution of the crisis hinges on a decline in milk output, because a return to the previous level of the consumption of milk and dairy products seems a rather distant possibility.

From the fall of 1988 until the end of 1989 milk production was highly profitable. To be sure, last year milk procurements increased by only three percent, but until August of 1989 they had been eight percent higher.

But starting early this year milk production became highly unprofitable and is steadily declining as the disproportion between the demand for and supply of milk and dairy products is increasing. During the first four months of this year, milk procurement prices hovered at the level of 600 zlotys per liter, which was below the procurement price per kilogram of rye, whereas last year

it was 50 percent higher than the price of rye. Thus, the decline in milk prices compared with grain prices is considerable, and compared with livestock on hoof, especially hog prices, it is even greater (see table).

Ratio of Milk Procurement Price to Prices of Basic Farm Products

Year	Month	Ratio of Price of 1 Liter of Milk to That of 1 Kg of Rye	Price of 100 Liters of Milk in Terms of Kg of Livestock on Hoof	
			Pork on Hoof	Beef on Hoof
1989	Jul	1.47	17.2	20.1
	Aug	1.65	12.3	14.7
	Sep	1.80	10.8	15.2
	Oct	2.66	14.9	24.6
	Nov	1.55	14.4	25.5
	Dec	1.51	14.4	25.5
1990	Jan	0.87	10.0	18.2
	Feb	0.87	10.7	19.4
	Mar	0.96	9.9	18.4
	Apr	0.97	7.4	14.5
	May	0.98	6.7	13.0

Last May milk prices dropped to 550 zlotys per liter, and milk procurements were about 30 percent lower than in April. This fact was bound to influence the price of milk and the financial situation of dairy cooperatives, especially those which are not manufacturing powdered milk. It is precisely these cooperatives that offer farmers 300 to 400 zlotys per liter and, in addition, are insolvent.

Cows Under the Butcher's Knife

Such low milk prices will result in a decline in heifer population and milk production. Using milk to feed hogs, a growing practice among farmers, cannot in the long run solve the situation.

On the livestock and meat market, consumers prefer pork. The demand for beef is much smaller and hence beef prices have declined sharply, relatively speaking, despite the decline in beef production. Prior to the marketization the average procurement price of cattle on hoof was about 15 percent lower than the price of hogs on hoof, and the cost of special-quality fattening was about the same as for hogs. In the last few months the price of cattle on hoof has been only one-half of the price of hogs on hoof.

Last year the production of beef on hoof was about 10 percent lower than in 1988 and their procurements were 18 percent lower. The drop in the procurements of beef on hoof during the first five months of 1990 was about eight percent. The low prices of beef on hoof are resulting in the curtailment of calf raising and increase in calf

slaughter. At the end of the first quarter of this year the calf population was about four percent smaller than in a like period of last year, and in the socialized sector alone this decline reached nine percent. During the same period, however, the overall cattle population remained unchanged, owing to the 4.5-percent increase in the cow population.

Still, the current cow population will not remain the same until next spring. Thus, for this year as a whole, the population of both cows and calves will decrease, and this problem seems unsolvable. All the same, steps have to be taken to prevent the decline in the cattle population from becoming disastrously steep, because such a danger does exist.

During the fall-winter period the supply of cows will probably be high, and this harbors the peril of a further relative decline in the prices of cattle on hoof and in the raising of calves. To prevent this situation from becoming critical, exports of beef should be spurred, even if they are unprofitable. This also applies to butter, and export preferences for butter should be given to the dairies which cannot produce the kinds of butter whose exports are profitable. This approach could markedly reduce the differences in procurement prices at neighboring dairy cooperatives.

YUGOSLAVIA

Developing Countries' Debt Repayment Discussed

90BA0167B Belgrade *EKONOMSKA POLITIKA*
in Serbo-Croatian 11 Jun 90 pp 26-28

[Article by Vladimir Grlickov including interview with Lazar Kokic, consultant at JUBMES [Yugoslav Bank for International Economic Cooperation]; place and date not given: "Loans Abroad: When Should Bad Business Deals Be Discontinued?"—first paragraph is *EKONOMSKA POLITIKA* introduction]

[Text] The way debt problems in the world are being solved is not helpful to Yugoslavia as a creditor. Out of \$2 billion of insured debt, \$468 million so far not paid back. Insurance premiums and reserves sufficient to cover ensuing losses. Revaluation of loans not agreed to.

For obtaining information and explanations in connection with our debt claims on developing countries, there would seem to be no institution more appropriate than JUBMES [Yugoslav Bank for International Economic Cooperation]. For this is the bank that for many years, together with the business banks has been financing exports to those countries. Of course, the bank cannot be held solely "responsible" for the fact of loans to those countries being hard to collect, because in its business dealings as well as in its financial dealings it operated at one time under the direct or indirect influence of politics.

The problems concerning repayment of our developing countries' debt do not arise solely as a matter of bad investments in a country whose economic situation makes it impossible to pay off incurred debts. In negotiations with these countries our side always tries to retain the rights to the debt in the belief that in spite of the situation (reprogramming) all is not ever lost. Now then, the general global climate of debt problem settlement does not always work to the advantage of Yugoslavia as a creditor. That is the case when developed countries provide as creditors special favors, let us say, to their borrowers in debt reprogramming; they even consider writing the debt off. That is why they often insist that Yugoslavia, as a creditor, also provide similar favors, although Yugoslavia can in no way be considered the equal of creditors from among developed countries. For example, they want the same reprogramming conditions as the Paris Club provides, even though Yugoslavia is not a member of that Club. In particular, they want reprogramming with a "grace period" of five-10 years, with a very long term for repayment of 30 or 40 or even 50 years, and with exceptionally low interest rates.

Yugoslavia, and JUBMES, do not accept such conditions, and especially do not want to set a precedent and write off even interest on a debt, even though adding interest on to the principal clearly has its downside (a debt mounts up when for several years it is not being paid off).

At the same time there are demands from some countries for their indebtedness to be paid off in conformance with the credit ratings they have in the world, and at a value arrived at on the world market. For some countries that value varies between 30 and 50 percent, but for others it does not exceed 10 percent.

It is another matter when some countries try to pay off their indebtedness to us the way we do in our "capacity" as a debtor. And they point to the world valuation of our indebtedness, which is up to around 56 percent. Of course, we are talking here about debtors from developing countries that are better situated payment-wise and who are trying to avoid paying off their entire debt.

On the other hand, some countries do not refuse to pay off their debts but they simply do not do so, because owing to their difficult situation they are not in a position to do so.

Of course all of this does not mean that the debt issue should be looked at solely through the lens of negative global economic circumstances surrounding debt problem resolution. The fundamental issue is still how those unpaid debts emerged and piled up. On these topics we have for an interlocutor Lazar Kokic, an expert and long-time "follower" of matters related to insurance of export deals, who nowadays works as a consultant at JUBMES.

[Kokic] The total amount of Yugoslav claims vis-a-vis developing countries that the Yugoslav Bank for International Economic Cooperation (JUBMES) has insured

has been about two billion dollars in the annual accounts. We are talking about a total amount of which about 15 percent falls due annually, which means a figure of approximately 300 million dollars. Moreover, some debtor countries ignore their obligations. Thus we have uncollected debts that have piled up for the past 20 years that JUBMES has been in existence.

[Grlickov] There are many reasons for these losses having arisen, and it is hard to distinguish what has been a "product" of so-called interests of state from that of "independent" banking and business interests. The essential thing is that the bank has a problem covering losses stemming from this insurance.

[Kokic] In the bank's first year of operation there were already small losses. Export insurance was planned so that premiums, along with losses paid off (recovered) in a timely fashion, were sufficient to cover all JUBMES liabilities in accordance with the insurance scheme. Since it can happen that losses exceed what the bank has by way of premiums and reserves, we have a Law on Financing of Insurance according to which the federation guarantees that it will provide the funds.

Unfortunately, or perhaps fortunately, we have never used that right to federation funds, because the bank's liabilities based on insurance contracting have never exceeded reserves plus premiums. Right away I should say that this has been facilitated in large measure by inflation. For we have insured in dinars, at fixed amounts that could not be changed based on exchange rate movements. And since insurance was long term, for a term of 10 years or more, then you can imagine what inflation did to the claims of those insured by the bank.

[Grlickov] From the standpoint of the insured party, that is not an advantageous circumstance, for his claim coverage became worthless in dizzying fashion.

[Kokic] Yes, along with the fact that it has made it possible for the bank to operate without large losses. If insuring had been done in foreign currency terms, losses would probably have been exceptionally great, for I doubt that the federation would have been able to pay off on all those liabilities.

[Grlickov] How was it possible for the insured parties to enter into such deals and contract for insurance that yields a loss for them?

[Kokic] This was all known to the insured parties, and they were well aware that in the event of compensation they would incur great losses due to inflation. Now then, even in spite of informed warnings that the risk was great and that they had little prospect of collecting for claims and losses from JUBMES, exporters continued to operate in their customary fashion. The best example of that is business with Syria. It was known that Syria could not make good on its financial obligations, and that the bank was not required to completely cover losses, but they kept on entering into business deals with that country.

[Grlickov] Why did they do that? Were they under pressure from interests of state, or did they decide independently as it were, reasoning that they could not supply other markets?

[Kokic] In that case political interests were not a determining factor, for no one forced them to it. Simply put, the principle for them was to maintain actual production, to keep it going, and also they did not have an assured alternative market. If we take, for example, the fact that electrical equipment went to Syria that could find no other market, then that can also be regarded as its sole economic salvation. Now then, there was always the conviction that someone would solve the problem and restore the losses.

[Grlickov] Certainly inflation is not the primary factor in this problem. The main thing is the "creation" of debt that there is doubt about ever being collectible.

[Kokic] How large our claims are is not so essential, but rather how much we can collect. For example, Cuba currently owes Yugoslavia a debt of 120 million dollars, of which 60 million dollars is currently due. That means we can expect further growth in that debt up to a level of 120 million dollars. And furthermore we do not see at this time how the payment problem will be resolved. To be sure, Cuba continually talks as if it acknowledges that debt and that it will pay it, and continually defers payment with the explanation that it is not in a position to do so at the time. Of course, they promise to do so as soon as it is possible.

[Grlickov] There we are talking about demands for debt reprogramming.

[Kokic] As a matter of principle we have not entered into reprogramming, although there has been some, as in the case of Guinea. There have been a total of seven reprogrammings over 21 years; we have entered into reprogramming practically speaking every four years. We have also entered into reprogramming with both Cuba and Somalia. All the same, however, we understood that reprogramming for countries that objectively speaking cannot pay debts, only represents a deferment of the problem. They are not paying interest either, because the interest as a rule is being added to the debt. And in addition, we have distinctly low interest rates of two to three percent.

For these reasons we refuse reprogramming in principle for those countries that we can determine cannot, even with reprogramming, fulfill their obligations. For otherwise the countries in question only get a breather of a few years in their payments but nothing else.

[Grlickov] We are talking about debt vis-a-vis countries that in principle have difficulty in paying obligations that have fallen due. In that connection you are not mentioning current claims that Yugoslavia has in its relations with Iraq. But the impression has been created that those claims are among the most difficult problems that exist in our relations with developing countries.

[Kokic] Claims vis-a-vis Iraq do not fall into the high-risk category, for the Iraqi side can pay and will pay its debt. Iraq annually pays between 400 and 600 million dollars owed to Yugoslavia, which represents a fairly large sum. A smaller amount in the form of our outstanding claims exists on a constant basis. In actual fact, we are always doing new business with that country, which is good for our organizations. This is fairly significant because Yugoslavia has little by way of marketing territory where it can operate. By the way, there is no doubt that, along with Iraq, Libya also represents a good market, and Iran also falls into this category, though there do exist certain differences between Iraq and Iran. To be sure, problems with Iraq always initially originate for political reasons, rather than because it has slight capacity for repayment.

[Grlickov] Our country's president was recently in Iraq and negotiated concerning guarantees of debt repayment by that country. What amounts and types of claims are in question?

[Kokic] In practice, Iraq is trying to defer its debt because after the war it oversized its economic development. In that connection, not pouring in its domestic resources, it is attempting to shift part of its development burden abroad. The fact remains that Iraq has loans on favorable terms, which it concluded during the time of war (with Iran), when other countries were trying to help out. Iraq is trying to prolong those wartime conditions even in today's peacetime circumstances.

If we consider claims on Iraq as a whole, and not solely what represents deferred payment, then we see that a very large amount is being received from Iraq. Secondly, our economy is continuing to exert pressure for and to conclude large deals with Iraq, with favorable conditions. Not to mention the main subject in question, for we do have one more point—only in Iraq is there a guaranteed market.

[Grlickov] The issue has been whether in our relations with Iraq a portion of our debt will or will not be deferred.

[Kokic] Payment of half of our debt has been deferred. The issue boils down to whether we will be in a position to supply new deals in Iraq valued at the level of claims we will satisfy. And next year it will all be resolved according to the same formula: we will reprogram part of the debt, the conditions being more favorable than if we provided new credits for 10 or more years, which we otherwise provide for some projects. We are talking about seven-to eight-year investment credits, with advance payment subtracted; and then those are the amounts that are being paid for entering into third markets. The result is that these are not such bad deals. Besides, when we succeed in solving the interest problem, then these deals will be full paying propositions. But there is not money enough for all of this.

However, receiving payment of 600 million dollars, along with the creation of new deals in that amount, is a satisfactory solution.

[Grlickov] Here we have obviously been talking about countries where there exist prospects for debt repayment. Let us turn the subject back to the debts hardest to collect, for in those cases it is sometimes more appropriate to write off the debt rather than to delude oneself that some day something will be done.

[Kokic] We can refer to the debt vis-a-vis Cuba and Syria. Cuba today owes Yugoslavia 120 million dollars and it is entirely uncertain when it will be in a position to pay it back. At this point about 32 million dollars has become due from Cuba, and according to the method of figuring accumulation, that number will quickly rise to 60 million dollars, and then higher.

[Grlickov] Are new deals being entered into with Cuba?

[Kokic] At this time that is no longer being done. There does exist a contract for a 200 million dollar deal, of which about 60 million dollars worth has been delivered; in addition, the debt incurred on this basis has fallen due in part. Enterprises are prepared for further deliveries amounting to perhaps 60 million dollars, but they have suspended deliveries due to nonpayment on Cuba's part of obligations that have fallen due.

[Grlickov] Advances were probably drawn on these deals.

[Kokic] Advances were drawn in part, but deliveries were suspended. About 12 million dollars of those contracted deals is remaining, and 60 million dollars was actually produced and realized.

[Grlickov] There has been plenty of talk about issuing money in order to cover unpaid debt.

[Kokic] I think that the federation would be obliged to deal with the problems that have arisen through the new economic policy. For, over the space of 40 years, Yugoslavia's economy has enjoyed a favored status from the standpoint that the state has taken care of the economic situation. The economy has, under the influence of a policy of uninterrupted export expansion, tried to take maximum advantage of that exporting. It has in fact benefited from a certain economic order that facilitated exporting to certain countries and financing that exporting at JUBMES and the other business banks. They were put in the position of being much concerned about debt repayment.

On the other hand, we had special relationships with many countries. Here I am thinking about developing countries, and those relationships meant a certain participation in our economy—on the part of Tanzania, Mozambique, and Zambia, for example—where certain regimes were in power. They enjoyed special favorable credits. We provided those countries so-called state credits, with long payment schedules and favorable interest rates that as a rule did not exceed three percent.

Later on, it was very difficult for those favorable terms to be changed. For some time, up to the well-known oil crisis, relations were good and there were no problems concerning payment of those debts. But after the oil crisis, when developing countries' economies got into a very difficult situation, we did not adapt in good time to that situation but, out of inertia, and because we considered ourselves to be a country of greater economic strength, we tried to help those countries.

Thus, even after the oil crisis we approved credits, not considering whether they could be repaid. Also, the situation concerning debt repayment by these countries is not the same everywhere. For example Sudan, which is in a very difficult situation, is even today fulfilling its obligations vis-a-vis Yugoslavia, and practically speaking we have few problems concerning repayment from that country. And with certain other developing countries we meet with a good reception because they are trying to maximally respond to payment obligations fallen due.

But a certain number of countries, mainly due to their domestic economic conditions, are not in a position to undertake that. In those cases I do not believe that they would give Yugoslavia more favorable treatment relative to other creditors and repay their obligations. Nicaragua, let us say, will almost certainly not pay, no matter how much we intercede, because that country does not have the necessary resources. Furthermore, Uganda similarly finds itself in a difficult situation; then there is Somalia, and then Mozambique.

[Grlickov] Of this two billion dollars that you mentioned initially, how much involves the "most critical" countries?

[Kokic] For many years we held to the rule that 80 percent of credit deals would go to developing countries and 20 percent to the rest of the world. How much out of that sum you mention will not be repaid? We have estimated that it will not exceed two percent.

Regarding that two percent estimate, it would be worth considering the basis for its derivation. We approved about 18 billion dollars of credits to developing countries over 20 years, of which as of today we have not collected about 468 million. Therefore, if that 468 million is compared with the 18 billion of approved credits, then it is not a frightening amount of debt that has accumulated over 20 years.

If we also add that nearly half of that debt applies to three or four countries (Syria, Peru, Zambia, Mozambique), then one gets a clearer picture of the dimensions of the problem. However, it is totally certain that we will succeed in collecting part of the debt that has fallen due; it is only a question of when we will succeed in that. Let us figure that over several years we will be able to collect about a third of that debt, and that two thirds will have to be settled on a long term basis.

[Grlickov] One would have to figure that some debts will grow in cumulative fashion, while I do not believe that that will happen to new credits.

[Kokic] They will accumulate for those countries that in practice have ceased paying their debts, while we have ceased entering into new deals with them. Their debt accumulation arises from credits provided previously. JUBMES stopped providing new credits for those countries even before macro-plan restrictions came into effect. The rule is that if a country is not paying its financial obligations even for one year, it goes on the "black list" in terms of approval of new credits. Such has been the case with Nicaragua, although we have had deals concluded on the basis of three "hard" agreements for 300 million dollars; deliveries were completed only based on the first agreement, and further deliveries were suspended.

[Grlickov] You did not reply directly to my question relating to coverage of debt by issuing money.

[Kokic] I think that the government should intervene only at the time those debts originate. Firms were only carrying out the ruling policy of the time. Therefore they were forced to enter into those deals. I am specifically thinking of the Cuba debts, for in actuality the agreement of that time—which, moreover, the government did not sign but which was facilitated with the agreement of the country's leadership—falls in this category of arrangement. We are talking about a credit of 200 million dollars, which was provided by Belgrade Bank with

JUBMES assistance, and which at that time was acclaimed as an agreement that would enable a great deal of exporting to Cuba and underscore cooperation with that country. Later on, however, it turned into a big loss for the Yugoslav economy. Normally in those kinds of circumstances, nobody would refuse to take advantage of an opportunity to export to a country that was paying high prices. Therefore, as export to bilateral-clearing countries was made attractive, there were subsequent agreements which, in a certain environment, promised good business.

[Grlickov] Financing surpluses with bilateral-clearing countries through primary issue of money has stopped, so it is logical that it would also be in those cases you are talking about.

[Kokic] But if the government enters into business deals, then it cannot easily avoid the risk arising from them. The best example of how one must proceed in order to manage debt with Iraq. Of the 1.2 billion dollars fallen due, half is being reprogrammed, and half paid off (300 million dollars of which is in oil) with the requirement to enter into new business arrangements for the amount that is repaid.

Financing through primary issue of money was stopped for all types of debt. And with JUBMES insurance, full value cannot be received for losses, because that was not agreed to in the mandatory debt revaluation. However, we are going to ask the government for such full payment to be made in the insurance context.

GERMAN DEMOCRATIC REPUBLIC

GDR Plans FRG-Type Health Care System

90GE0223A Munich SUEDEDEUTSCHE ZEITUNG
in German 9 Jul 90 p 20

[Article by Juergen Forster: "GDR Ready To Set Up Medical Insurance System—Transition Phase Retains Public Health Services and Drug Prescription Plan"]

[Text] Bonn, 8 Jul—The East-Berlin government has decided to pattern its health care system more closely than previously expected on that of the FRG. The latest draft regulation dated, July 4, is to regulate contractual relationships between health insurers and health care givers and to "speed along" a system where resident doctors will become the primary health care givers. A transition phase is to retain existing health care services and drug prescription plans.

Massive protests, especially by physicians, against a previous plan which would have restricted the licensing of physicians who want to take on insurance patients have shown results. Last weekend East-Berlin informed Bonn of a revised version of the draft document that is to regulate health insurance agencies and health care. In this version, the GDR has committed itself to the establishment of a well-distributed network of general practitioners by requiring the licensing of many more resident physicians. Furthermore, health insurance agencies will not be given the exclusive right to grant licenses.

Demand Planning

Health insurance agencies together with associations of health insurance affiliated physicians are to develop a transition plan which will provide for the licensing of health insurance physicians as demand dictates. Responsible governmental institutions are to evaluate the supply situation at least once a year and recommend further expansion if warranted. A joint committee of physicians and health insurance agencies will decide who receives a license and who does not. Those 870 physicians in the GDR who already operate a resident practice are exempt from having to apply for a license.

The new regulations for the health care sector stipulate that resident health insurance physicians are to become the primary care givers in ambulatory health care but that other types of health care facilities including existing ambulatory facilities will remain operative "during a transition phase." The exact length of the transition phase has not been established, but it is quite clear that it will stretch beyond January 1991 when the health insurance system will become active. Health insurers speculate that the transition phase will stay in effect for about four to five years.

Gradual Adjustment

The new draft regulation is not only badly needed, but it is also seen as sensitive to the needs of the health care sector. As such it provides for the continued possibility of drawing on existing health care services "as need arises." The ultimate model for the future health care system is the West-German health insurance system. From now on, it is unlawful in the GDR to establish new health care services or to expand existing ones. Authorities justify the use of a system that combines insurance physicians with public health care services by pointing to Article 22 of the State Treaty on Economic, Monetary, and Social Union which expressly stipulates a gradual adjustment of the GDR's health care system to that of the FRG.

The government in East Berlin backs a previously accepted regulation which says that only those physicians can apply for licensing as insurance affiliated physicians who have been GDR citizens and have resided in the GDR prior to January 1, 1990, or those foreign physicians who have lived and practiced their profession in the GDR at that date. This rule is justified on the basis of social and health-care policy related reasons. The provision for constant control of the demand situation is said to "give physicians from the FRG opportunities to apply for licenses if the need for more ambulatory health care should call for more physicians."

These regulations were complemented by new draft proposals, also dated 4 July, for a law "establishing health insurance agencies in the GDR" and a law to regulate the financing of hospitals in the GDR. The law regulating the establishment of health insurance agencies says that starting January 1, 1991, the GDR is to adopt the structure of the state-mandated health insurance system of the FRG. To ensure comprehensive health care coverage, the state demands by law that all Bezirke in the GDR as well as Berlin will have access to local health insurance agencies. The state also pledges to help set up separate health insurance agencies for miners, for workers in agriculture, and for seafaring people. Insurance agencies covering the self-employed in business and trade, as well as private insurance agencies can apply at a later time to set up their own agencies.

Lump Sums for Clinics

The GDR's law for hospital financing patterns itself almost completely after its counterpart in the FRG. It differs in that the state also provides for out-patient clinics and nursing homes. As in the FRG, the GDR allows for the support of particular projects, but it is limited to setting up, closing, or re-directing a health care facility. Unlike in the FRG, however, clinics are to receive annual lump sum funding amounts—to be available for upkeep, repairs, replacement, equipment upgrading, and minor building supply needs—with which each institution can operate freely.

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